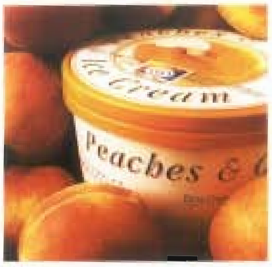
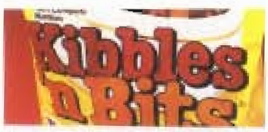
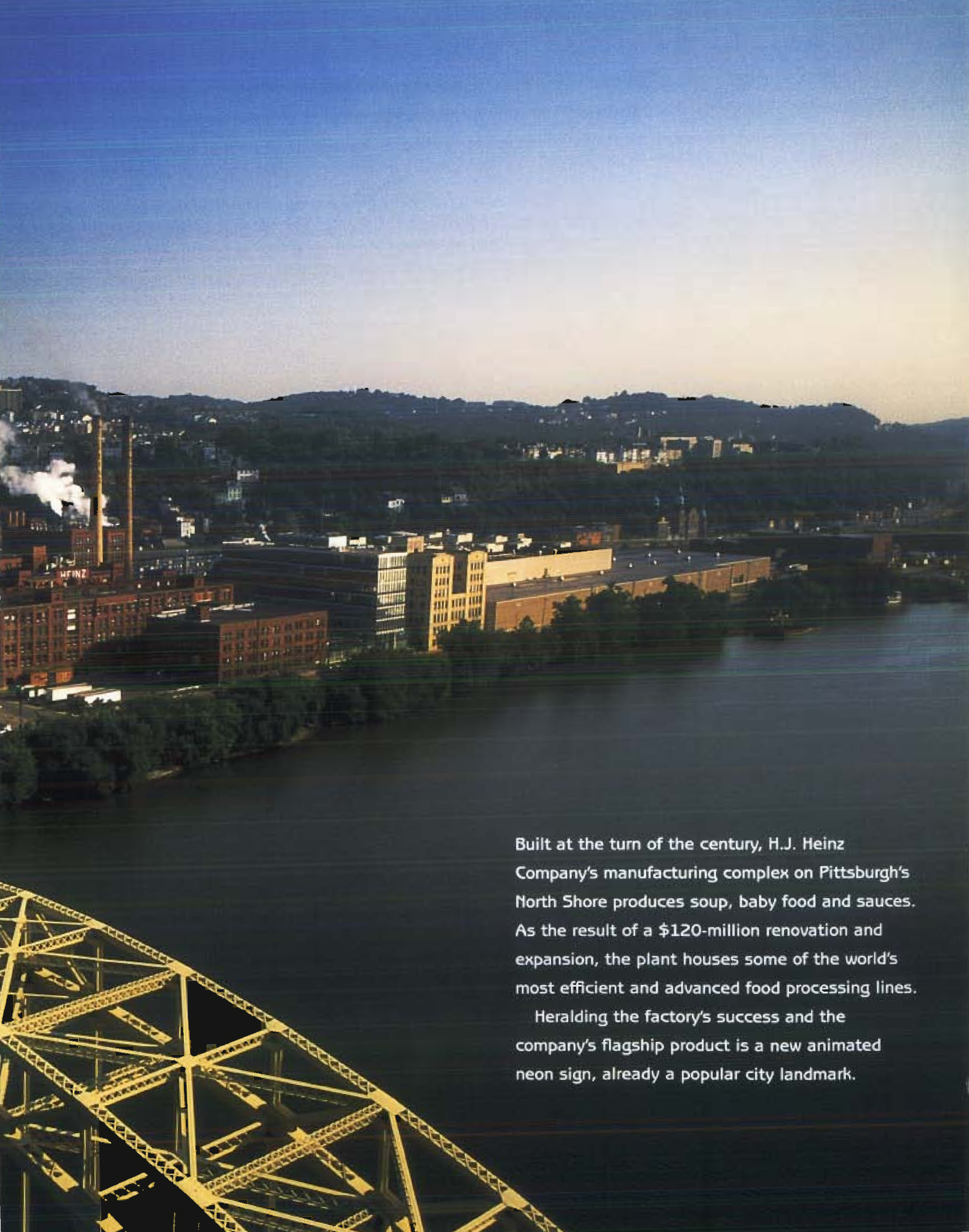



H. J. HEINZ COMPANY Heinz ANNUAL REPORT 1995

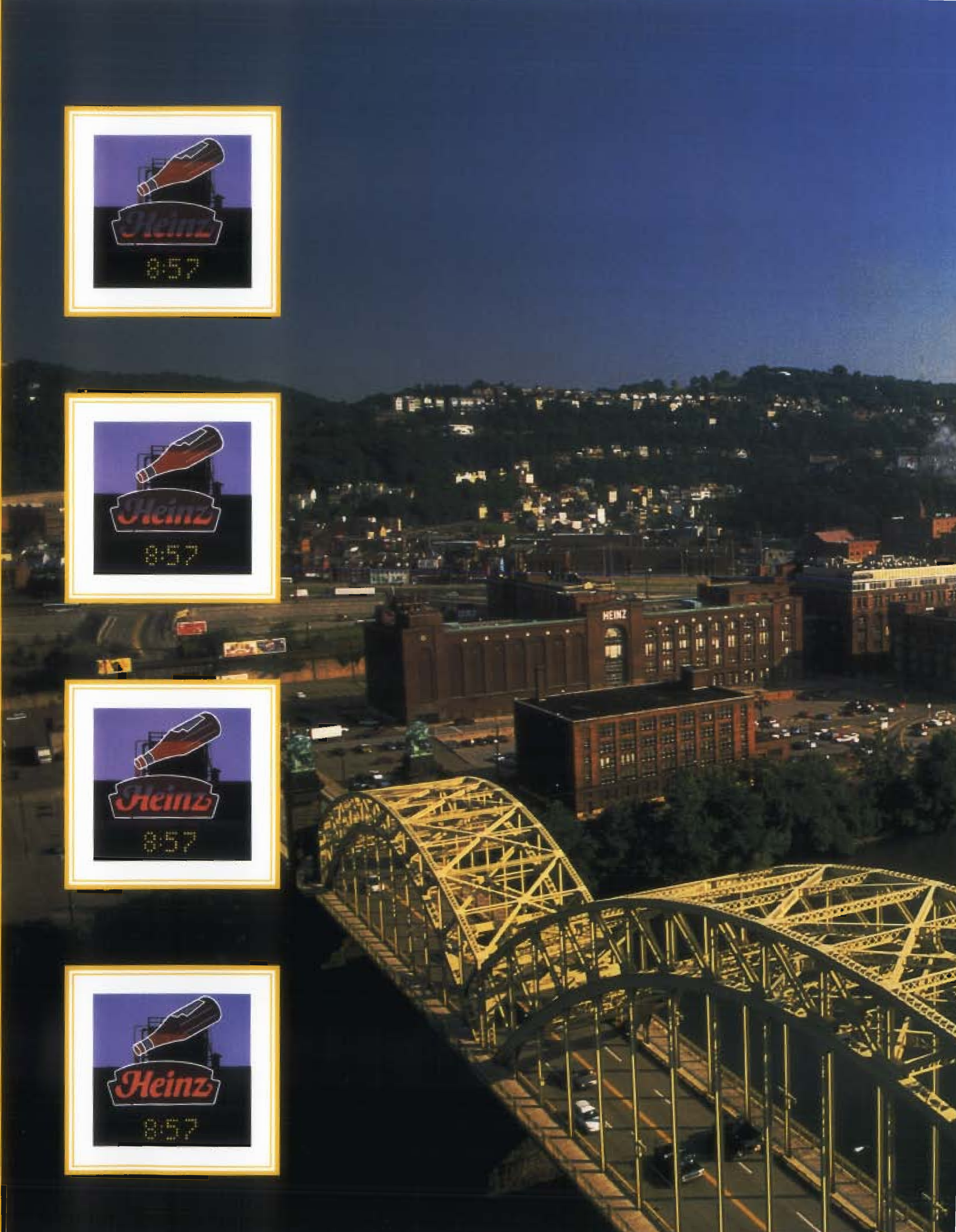
YOUR GLOBAL PORTFOLIO





Built at the turn of the century, H.J. Heinz Company's manufacturing complex on Pittsburgh's North Shore produces soup, baby food and sauces. As the result of a $120-million renovation and expansion, the plant houses some of the world's most efficient and advanced food processing lines.

Heralding the factory's success and the company's flagship product is a new animated neon sign, already a popular city landmark.



Heinz
8:57
Heinz
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Heinz
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Heinz
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HEINZ


OLIVINE

HEINZ
TOMATTINA

ROSETTO

NEW
CYCLE
PLAN

HEINZ
SPAGHERONI
TRADIZIONALE

Salade
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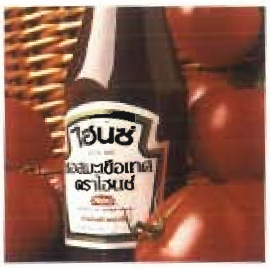
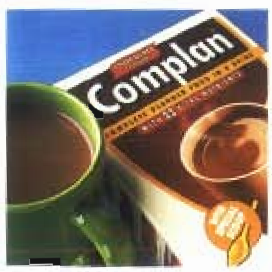
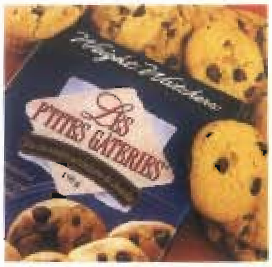
PETIT NAVIRE


9Lives

HEINZ
胡萝卜营养米粉

HEINZ
DRESSING

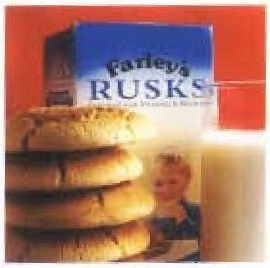

Complan


Weight Watchers
Les
P'TITES GATERIES


Heinz
Big Red
TOMATO


Plasmon


Fiesta
Bagel Bites
9
QUESO
GRANDE
New


Farley's
RUSKS

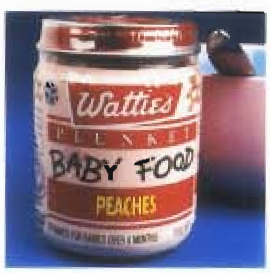

HEINZ
infantil

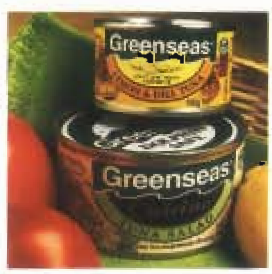

Plasmon


q.b.
GULOSO


CHAMP
CHEF


THE Budget
GOURMET
SWEDISH MEATBALLS


Watties
BABY FOOD
PEACHES


Greenseas
Greenseas

H.J. Heinz Company today markets more than 4,000 varieties around the world, a far cry from the original 57 touted in advertising at the turn of the century. Over the years, Heinz has expanded its core business and continues to grow through acquisitions, buying many renowned brands and world-class factories. The current product mix (represented on the cover) encompasses soup; sauces; pet food; baby food; frozen potatoes, snacks and pasta; tuna; ice cream; nutrition drinks; and, as always, tomato ketchup.

An efficient worldwide network of factories—anchored by Heinz's oldest, and yet most modern, in Pittsburgh, Pennsylvania (cover overleaf)—produces this growing array of Heinz varieties.

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24	A World of Leading Brands
27	Financial Review
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60	World Locations
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Highlights

H.J. Heinz Company and Subsidiaries

(Dollars in thousands, except per share data)	1995 (53 weeks)	1994 (52 weeks)	1993 (52 weeks)
Sales	$8,086,794	$7,046,738	$7,103,374
Operating income	1,155,809	1,068,543	860,885
Income before cumulative effect of accounting change	591,025	602,944	529,943
Net income	591,025	602,944	396,313
Per common share amounts:			
Income before cumulative effect of accounting change	$ 2.38	$ 2.35	$ 2.04
Net income	2.38	2.35	1.53
Dividends	1.41	1.29	1.17
Book value	10.14	9.39	9.12
Capital expenditures	$ 341,788	$ 275,052	$ 430,713
Depreciation and amortization expense	315,267	259,809	234,935
Property, plant and equipment, net	2,534,376	2,167,727	2,162,211
Cash, cash equivalents and short-term investments	$ 207,031	$ 142,404	$ 224,304
Operating working capital	1,126,216	896,465	1,137,119
Total debt	3,401,076	2,166,703	2,613,736
Shareholders' equity	2,472,869	2,338,551	2,320,996
Average common shares outstanding	248,537,537	256,812,016	259,788,461
Current ratio	1.10	1.35	.92
Debt/invested capital	57.9%	48.1%	53.0%
Pretax return on average invested capital	22.1%	22.7%	18.7%
Return on average shareholders' equity before cumulative effect of accounting change	24.6%	25.9%	22.0%

The 1994 results include pretax gains of $127.0 million relating to the divestiture of the confectionery and specialty rice businesses. The 1993 results include a pretax restructuring charge of $192.5 million and the after-tax impact of adopting FAS No. 106 of $133.6 million.

Dear Shareholders:

Fiscal 1995 was a successful year for the H. J. Heinz Company. For the first time, Heinz surpassed $8 billion in global sales, a remarkable increase of more than $1 billion in just a year. It reflected a broad range of achievements that sprang from more than two years of tough but strategic restructuring and repositioning of our portfolio. Furthermore, in Fiscal 1996, we expect to set another record by achieving $9 billion in sales.

As our sales and profits have increased, so has our market capitalization, which now approximates $11 billion. This produced yet another record for Heinz, which became Pittsburgh's largest corporation, as measured by market capitalization. Using this same indicator, we ranked 88th among the nation's *Fortune 500* companies.

Recently, *Fortune* magazine noted that only 116 companies have been counted among the *Fortune 500* since the original 1954 list. Of these, only 18 delivered a compounded total annual return of 15% or better, amongst them Heinz, which delivered 16.4%. In the past 16 years since I became CEO, Heinz stock has produced a total return of 20.4% annually.

We are confident that this record will continue in the future. During the past three years, Heinz has pushed relentlessly forward, undertaking dramatic marketing and production initiatives and overcoming substantial competition. I am proud of our management and employees around the world, whose dedication and commitment have opened new horizons for profitable growth. As a result, we now have an enviable portfolio of powerful brands

After adjusting for the gains from the divestitures of the confectionery and specialty rice businesses, Fiscal 1995 earnings per share increased by 13% to $2.38 and operating income rose 23%, from $941 million to $1.16 billion.

serving a widening mix of profitable, expanding markets around the world.

As we are setting new sales records, we are also boosting our profits. After adjusting for the gains from the divestitures of the confectionery and specialty rice businesses, Fiscal 1995 earnings per share increased by 13% to $2.38 and operating income rose 23%, from $941 million to $1.16 billion.

These results are evidence of a powerful alignment of purpose and resources that should lead to continued double-digit growth. We base our confidence on three principles. First, there is the economy of scale and the vast potential of our recent acquisitions which present us with further opportunities for production and marketing synergies. Second, we enjoy competitive advantage in key sectors because of the strength of Heinz's established brands and our newest power brands. Third, we have carved out an excellent position in many of the world's fastest-growing markets.

Let me briefly review the high points of Fiscal 1995. We invested a record $1.2 billion in what I believe are excellent acquisitions. First, we bought Quaker's North American Pet Foods division for $725 million, the largest acquisition in Heinz history. This is a perfect expansion of our Heinz Pet Products business and will double pet food profits by producing significant efficiencies and cost reductions through factory consolidations.

Second, we bought the Borden Foodservice Group, an important addition to our U.S. food-service portion-control business, bringing sales to $400 million with a substantial market share.

Third, came the Farley's brand in the U.K. and Glaxo's Family Products Division in India, with its Farex brand. These acquisitions will add $150 million to Heinz's international sales in nutrition and infant feeding.

Fourth, we acquired The All American Gourmet Company with its excellent brand, The Budget Gourmet. This provided production synergies that should enable Heinz to become the low-cost

We drove down costs in our core businesses and made smarter marketing decisions, while increasing our total marketing support by 12% to $1.7 billion. Consequently, we drove up sales volume growth and improved market shares of key brands.

maker of frozen entrees and side dishes.

Meanwhile, we drove down costs in our core businesses and made smarter marketing decisions, while increasing our total marketing support by 12% to $1.7 billion. Consequently, we drove up sales volume growth and improved market shares of key brands, such as Heinz retail ketchup in the U.S. (now at 52%), Ore-Ida frozen potatoes (49%), canned cat food (32%), Italian baby food (90%), Heinz U.K. baby food (34%), and Weight Watchers weight-control meetings (more than 50%).

In addition, there is the success of these new American power brands, such as Bagel Bites snacks, Rosetto frozen pasta, Chef Francisco soup, and Vet's Choice premium pet food.

Many investors today are seeking to invest in a global portfolio. Heinz offers that in its nearly 60-to-40 ratio of U.S. to overseas sales. As Heinz's American affiliates surge ahead, we are continuing our global expansion. The acquisition of Glaxo's Family Products Division positions Heinz in the Indian subcontinent, which has a population approaching one billion and 26 million births each year. Significantly, there are more than 100 million people in the nation's expanding middle class. Heinz is, of course, a major player in the Pacific Rim following our acquisition of Wattie's and its efficient high-quality factories in New Zealand. Our presence there is complemented by affiliates in Australia, Japan, Korea and Thailand.

Heinz has a growing presence in other developing economies. We are opening a baby cereal factory in southern Russia and our Magyar Foods factories in Hungary are at the center of very important Eastern European markets. We are close to making an investment in South Africa that will build on our successful and profitable Zimbabwe operations.

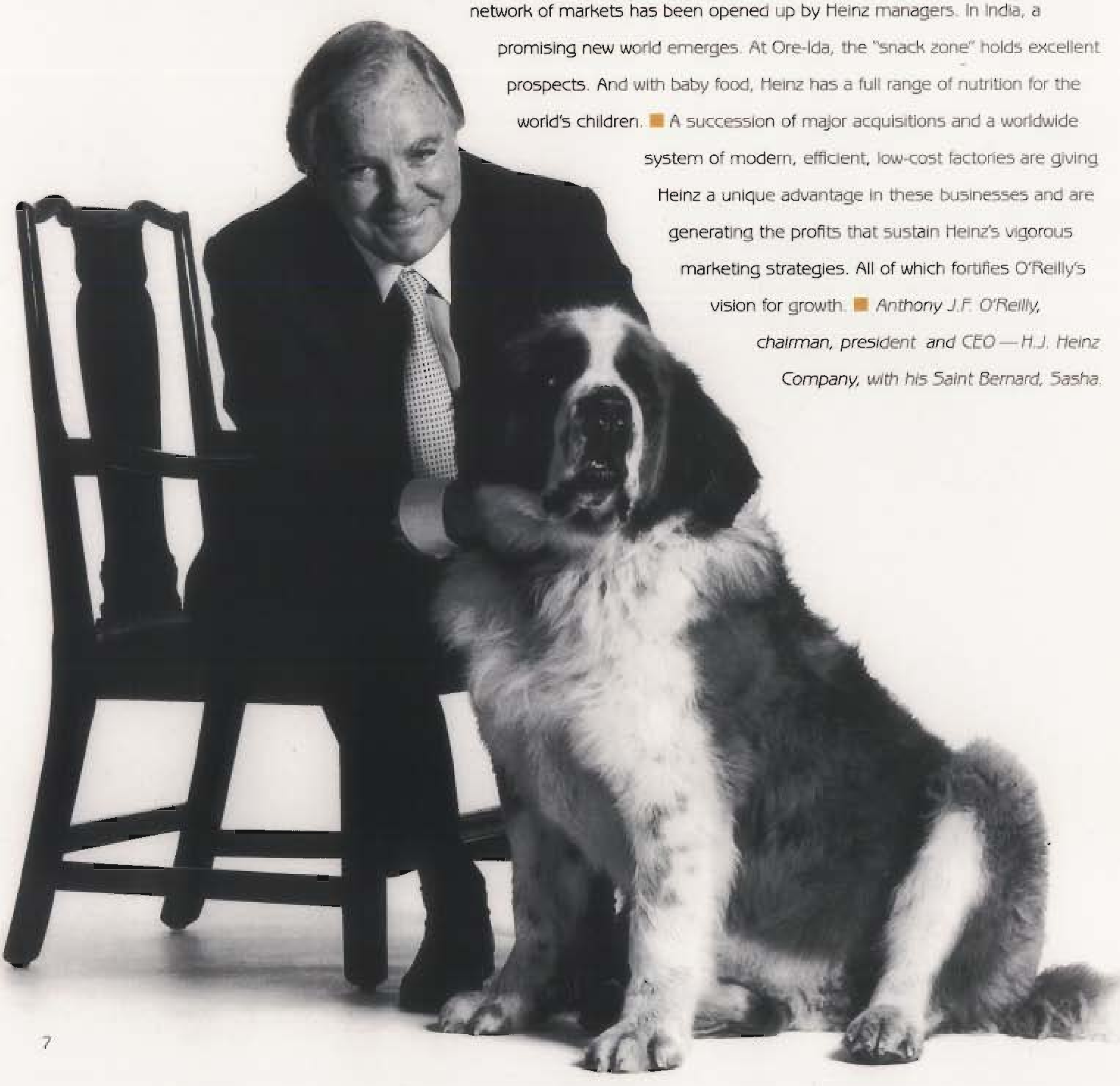
The richness and variety of the Heinz portfolio is difficult to imagine unless one visits all our markets, as our senior management does regularly. This year's annual report attempts to capture this variety by illustrating some of our products, which are enjoyed each day by millions of consumers in restaurants or in their homes.

Any company is the sum of its managerial skills and in this report we offer seven brief essays that feature Heinz managers and facilities in different parts of the world. I hope they will give you a better appreciation of both the management strength and the production superiority of Heinz. They represent the 42,200 people and 100 plants that make up the Heinz portfolio.

Above all, this annual report demonstrates Heinz's solid foundation for growth in the coming years. Investors can be confident that Heinz has efficient factories and an outstanding portfolio of global brands. We are both well-equipped and well-positioned for double-digit growth and for enhanced shareholder value in Fiscal 1996 and beyond.

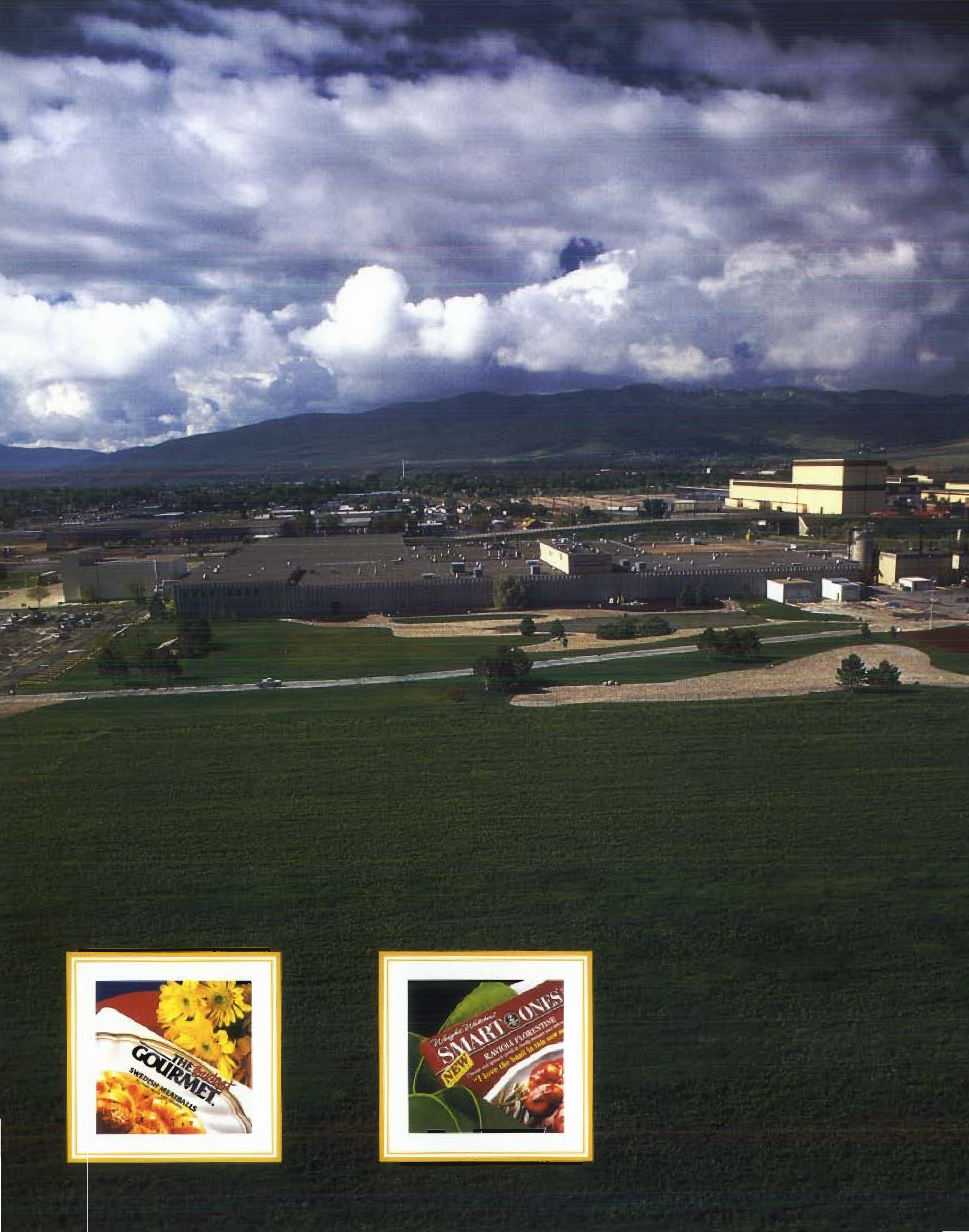
Anthony J. F. O'Reilly
Chairman, President and Chief Executive Officer

Heinz Chairman, President and CEO Tony O'Reilly readily acknowledges the necessity of change. And after four years of intense change, Heinz has emerged, he says, with "the right brands in the right categories in the right countries." ■ Heinz is a global basket of brands, businesses and factories, just a few of which are depicted in this volume. In pet food, an outstanding acquisition promises profitable growth. In frozen meals, The Budget Gourmet brand means new synergies for Weight Watchers Food Company. In foodservice, added varieties feed growing global demand as more and more people enjoy the luxury of eating out. In the Pacific Rim, a dynamic network of markets has been opened up by Heinz managers. In India, a promising new world emerges. At Ore-Ida, the "snack zone" holds excellent prospects. And with baby food, Heinz has a full range of nutrition for the world's children. ■ A succession of major acquisitions and a worldwide system of modern, efficient, low-cost factories are giving Heinz a unique advantage in these businesses and are generating the profits that sustain Heinz's vigorous marketing strategies. All of which fortifies O'Reilly's vision for growth. ■ *Anthony J.F. O'Reilly, chairman, president and CEO — H.J. Heinz Company, with his Saint Bernard, Sasha.*



"Americans have always loved their pets," says Heinz marketing veteran Mike Milone. He should know. Personally, he's devoted to the family bassethounds—"Bandit" and "Montgomery"—whose photographs grace his office wall. Professionally, Milone spent the last eight years helping Heinz Pet Products reach record levels of profitability in the $8.5-billion U.S. pet food market. ■ This year, he served on the team that brought home the $725-million acquisition of Quaker's North American Pet Foods division. "On both the product and the cost sides, it's a fantastic fit. With Heinz basically a cat food company and Quaker a dog food company, we now have the best-balanced portfolio in the industry. Operating synergies in every aspect of the business—from marketing and manufacturing to purchasing and distribution—will deliver major savings. It'll further lower our costs and accelerate our volume growth." ■ Milone's enthusiasm and energy are, well, boundless. But what else would you expect from a dog lover? ■ *Michael D. Milone, chief revenue officer—Heinz Pet Products. / Heinz's Lawrence, Kansas, factory specializes in Kibbles'n Bits dog food.*

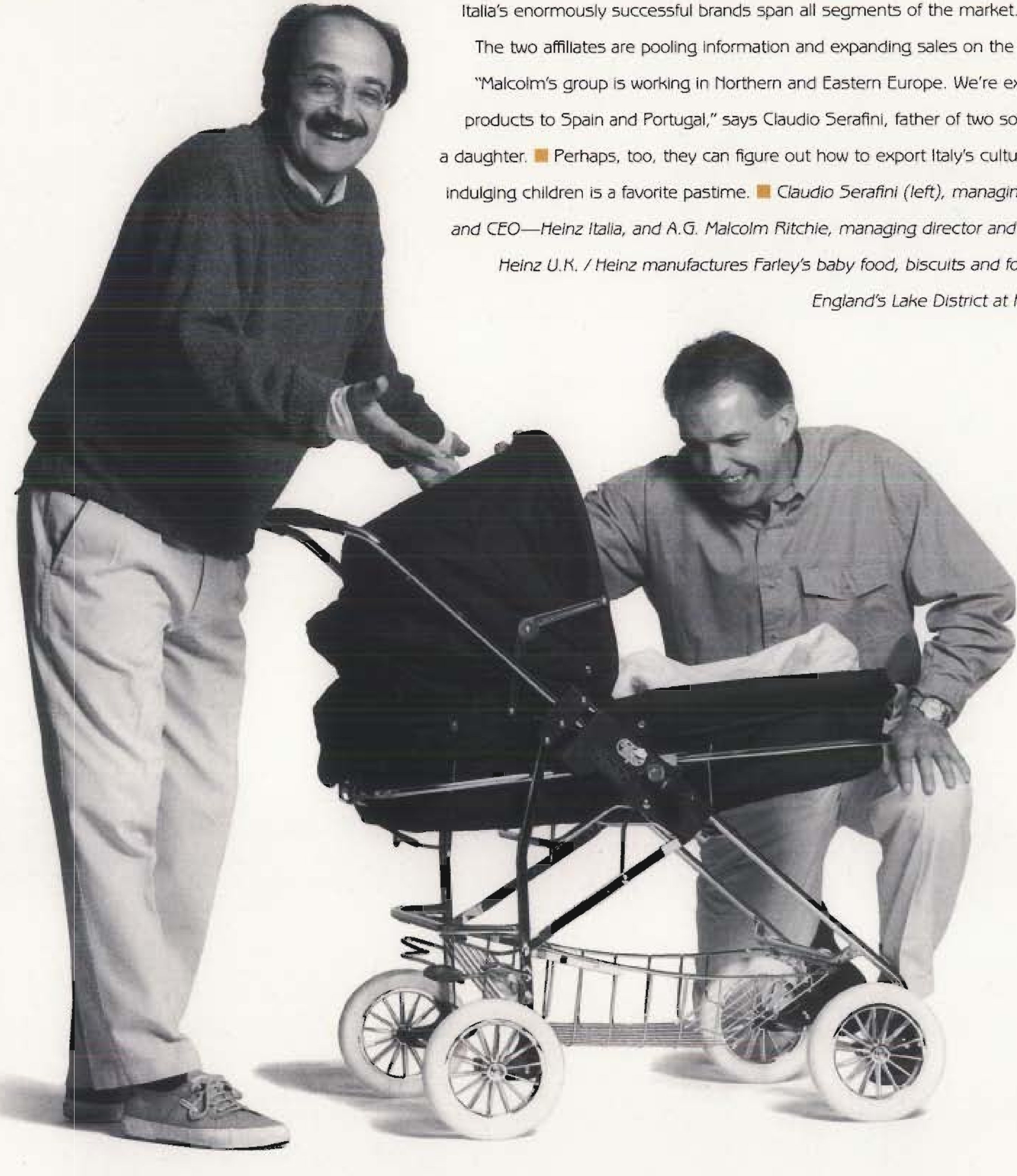

CYCLE
PLAN
9Lives
9Lives
Pup-Peroni
Jerky Treats
Kibbles 'n Bits
Bac'n Cheeez

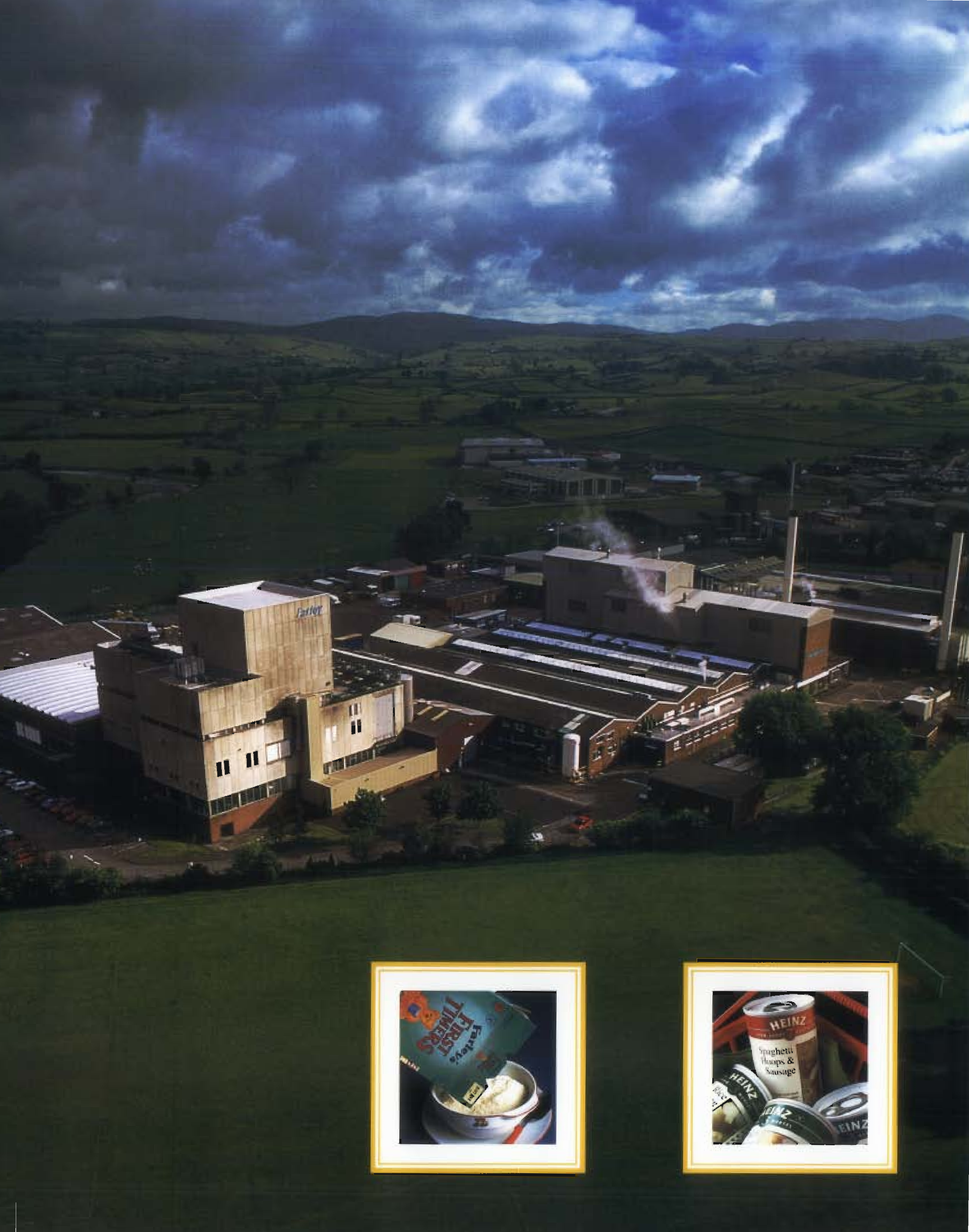


THE Budget GOURMET.
SWEDISH MEATBALLS
Weight Watchers
SMART ONES
NEW
RAVIOLI FLORENTINE

"What goes around comes around" is a phrase with special meaning for Mike McGrath: "I'm one of the guys who, 12 years ago, started The Budget Gourmet in Pittsburgh." ■ Last year, McGrath moved from Kraft to head up Weight Watchers Food Company, never dreaming that, six months later, he'd be overseeing Heinz's acquisition of The Budget Gourmet. It was a lucky break for Heinz. ■ "I understood how, by combining the two nearly identical companies, we could double revenues and deliver significant production synergies. I knew we could make our company the number-two player in frozen entrees. Plus, the two brands—Weight Watchers and The Budget Gourmet—complement each other in the freezer case. Now we can combine the right promotions with the right prices and the right marketing plans." ■ Best of all, The Budget Gourmet brand is renowned for superior recipes. "Personally, I'm a foodie," says McGrath, "and The Budget Gourmet group really knows how to make good-tasting food." ■ *Michael R. McGrath, president and CEO—Weight Watchers Food Company. / Weight Watchers brand entrees—100-plus varieties—are made in Pocatello, Idaho.*

One Heinz priority is growth in the $7-billion international baby food business. Outside the United States, Heinz is a leader and among the few to offer a complete range of products: formulas, strained foods, cereals, biscuits, juices. During the current two-year period, sales are expected to increase 45 percent and to approach $1 billion by 1996. ■ Last year, Heinz U.K. acquired the Farley's brand, a line that helped double business. "With the addition of Farley's formula, we now can feed a baby from its first day right on through the 12-month cycle," says Malcolm Ritchie, who's had the pleasure of going through that cycle with three daughters and a son. "Using the same factories, the same direct mail program, and the same salesforce, we'll save millions." ■ Heinz Italia's enormously successful brands span all segments of the market. The two affiliates are pooling information and expanding sales on the Continent. "Malcolm's group is working in Northern and Eastern Europe. We're exporting our products to Spain and Portugal," says Claudio Serafini, father of two sons and a daughter. ■ Perhaps, too, they can figure out how to export Italy's culture, where indulging children is a favorite pastime. ■ *Claudio Serafini (left), managing director and CEO—Heinz Italia, and A.G. Malcolm Ritchie, managing director and CEO—Heinz U.K. / Heinz manufactures Farley's baby food, biscuits and formula in England's Lake District at Kendal.*

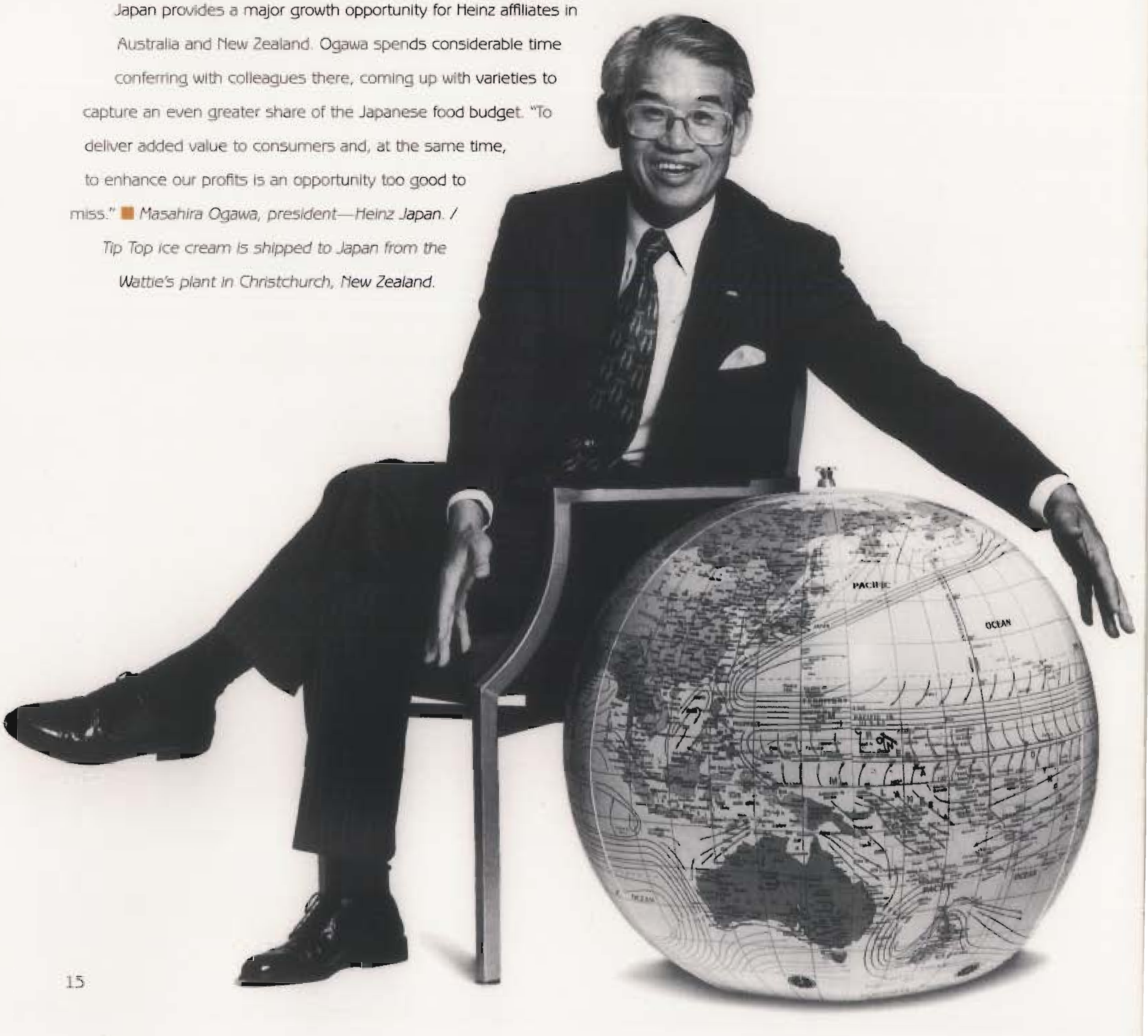



Farley
Farley's
FIRST TIMERS
HEINZ
Spaghetti
Hoops &
Sausage

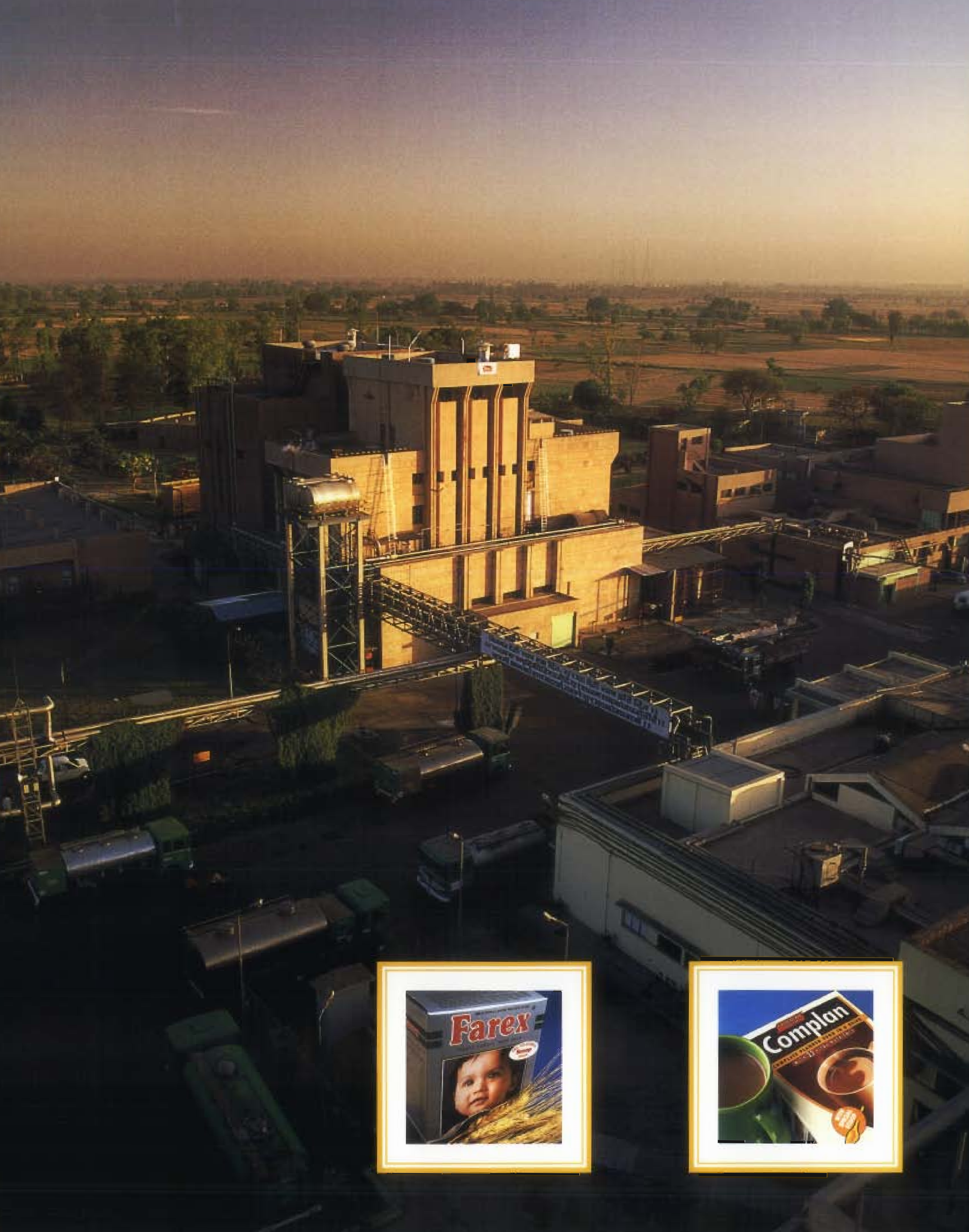

Greenseas
Greenseas
Peaches &
HEINZ
グラタンソース
TEGEL TURKEY ROAST
Heinz
Big Red
TOMATO

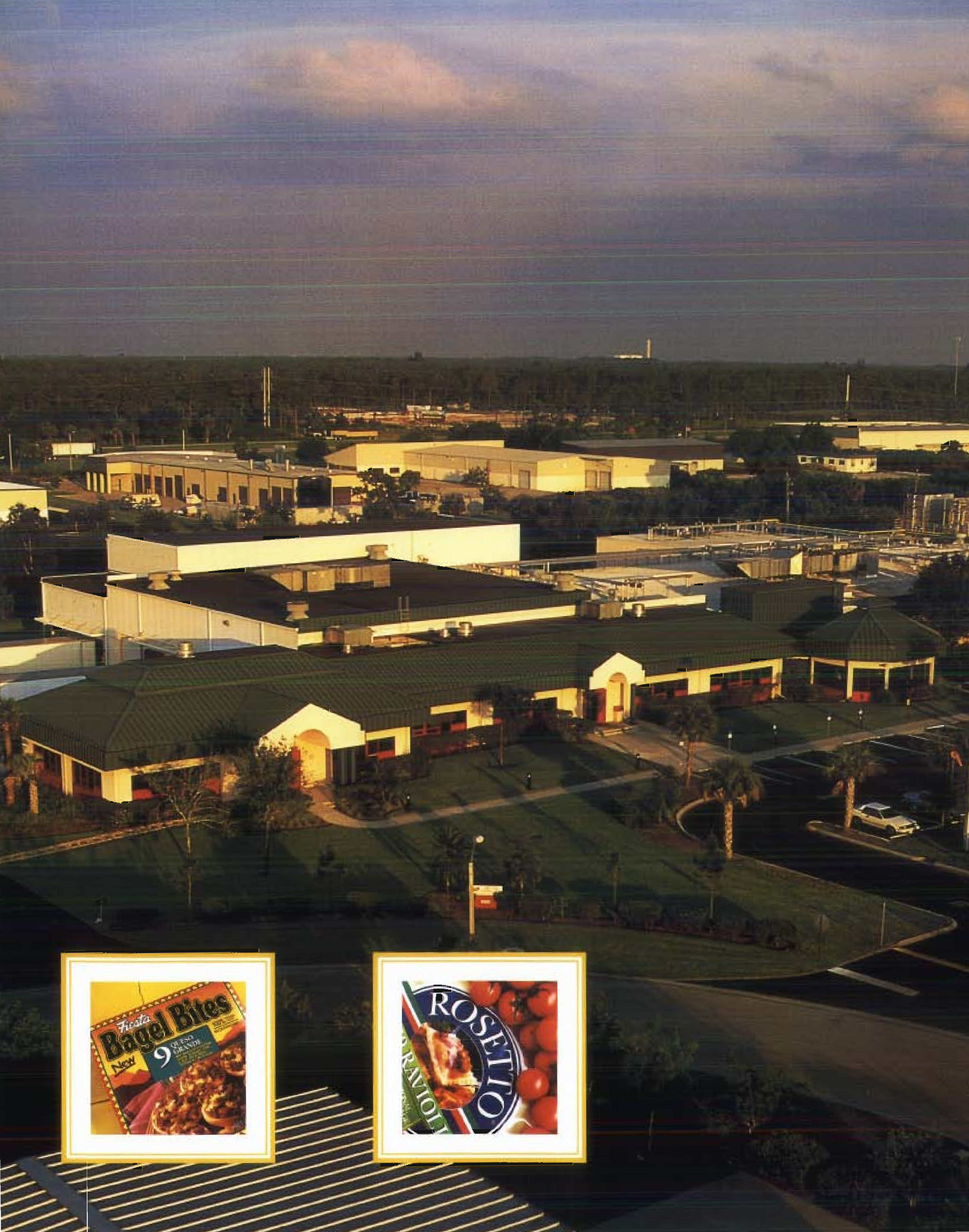
More and more Heinz affiliates are taking advantage of their manufacturing power to increase exports to fast-growing parts of the world. Heinz executive Mass Ogawa says, "Acquisitions, such as Wattie's, The Budget Gourmet, and Quaker's North American Pet Foods division, present Heinz Japan with a golden opportunity to double its business by the year 2000." ■ Acquisitions have so dramatically lowered per-unit cost that, even with Japan's import duties, Heinz products remain a bargain. That's one reason why, in 1994, 33 percent of Heinz Japan's sales were of imports from sister affiliates. Another reason is Ogawa's understanding of the Japanese palate. "Heinz Japan imports frozen potatoes, sauces, and soups, but we modify them for Japanese tastes." ■ Ogawa foresees imports rising to close to 45 percent. "Heinz products perfectly augment the varieties we already make at the plant in Utsunomiya, outside Tokyo." ■

Japan provides a major growth opportunity for Heinz affiliates in Australia and New Zealand. Ogawa spends considerable time conferring with colleagues there, coming up with varieties to capture an even greater share of the Japanese food budget. "To deliver added value to consumers and, at the same time, to enhance our profits is an opportunity too good to miss." ■ *Masahira Ogawa, president—Heinz Japan. / Tip Top ice cream is shipped to Japan from the Wattie's plant in Christchurch, New Zealand.*



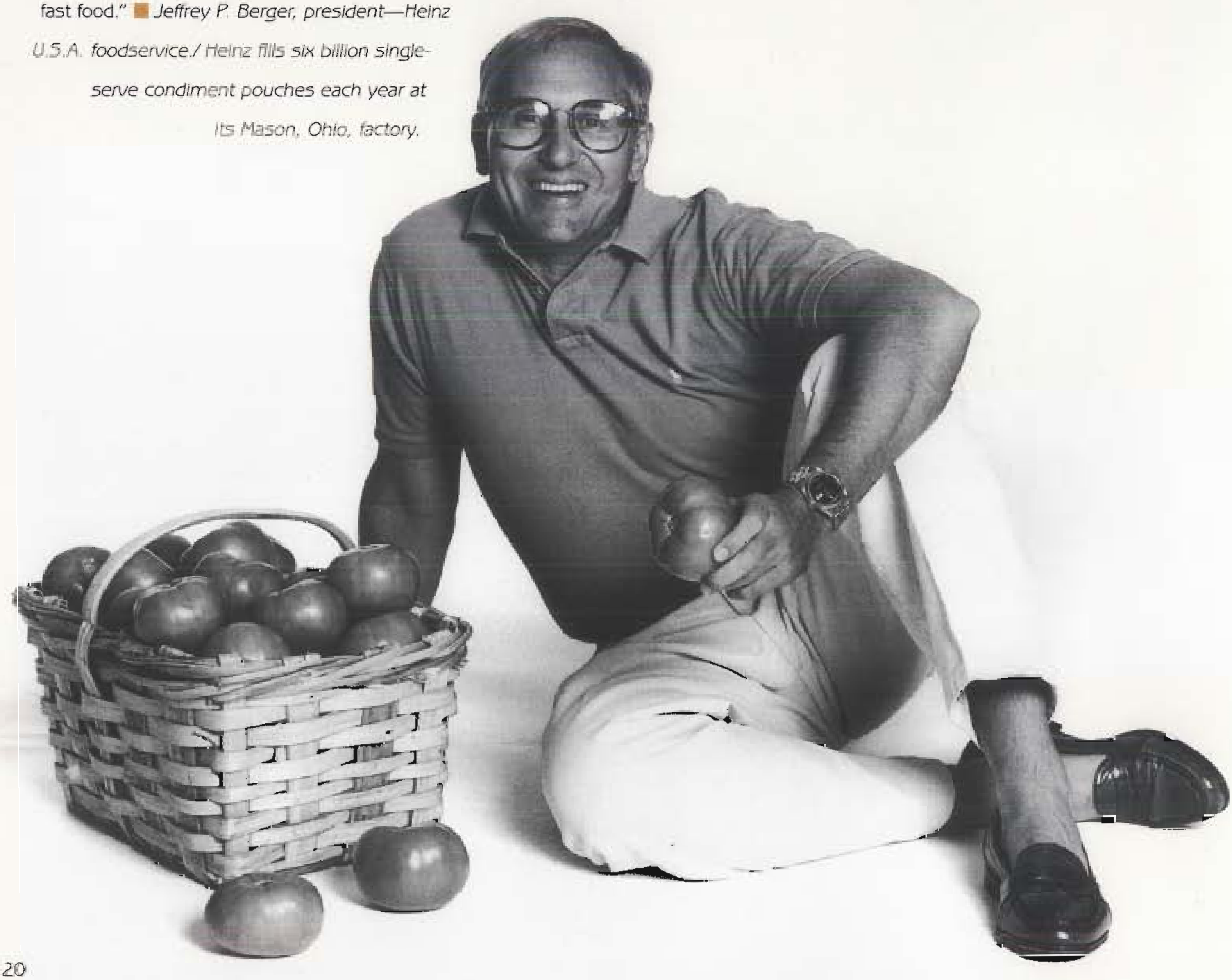
When Tony O'Reilly asked Chuck Berger, a 31-year Heinz veteran, to come out of retirement and take on a new adventure, Berger packed his bags and moved to India. "I've enjoyed laying the foundation for what I think will be an absolutely great Heinz affiliate," says Berger, who loves being "back in the saddle." ■ Heinz India Private Limited, formerly owned by Glaxo, is one of India's top-ten food companies. Its products are sold to a population of 900 million, most of whom buy groceries at 500,000 cramped shops. Although not much bigger than sidewalk newspaper stalls, the shops carry a vast array of merchandise, work on small margins, stay open all hours, offer credit, keep prices low, and restock shelves twice a day. ■ Heinz India's flagship lines are Complan nutrition drinks for children, Glucon-D energy drinks, and Farex infant cereals, which it markets for the 26 million Indian babies born each year. "I really believe that India is the country for the next century." ■ *Charles M. Berger, interim chairman—Heinz India. / Located in India's richest agricultural state, the plant at Aligarh processes an array of nutrition drinks and baby food.*

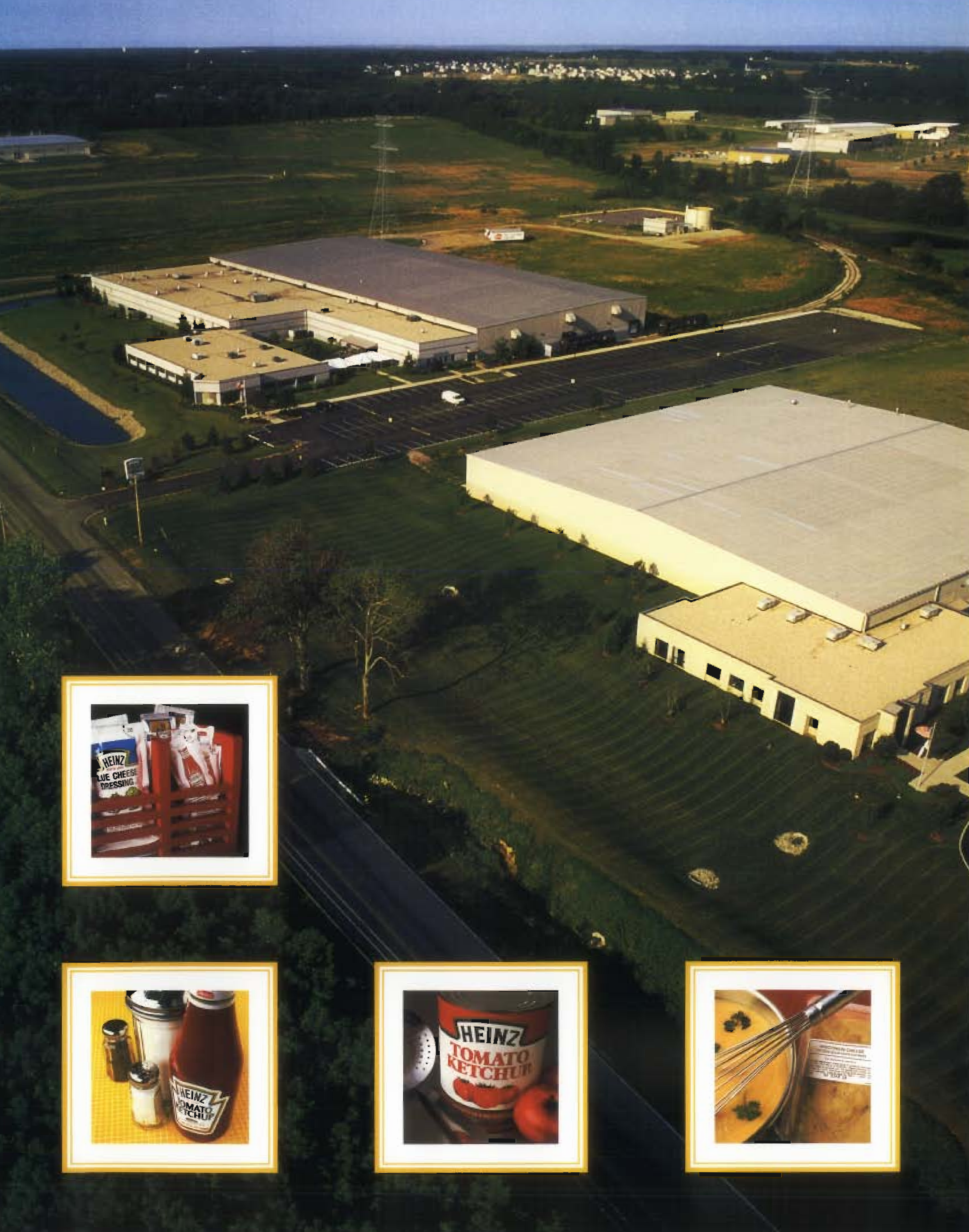

Farex
Complan


Fiesta
Bagel Bites
New
9
QUESO
GRANDE
ROSETTO

Meg Carlson, an Ore-Ida executive for 13 years, is an astute marketer. Two years ago, she noticed a kind of magic developing between consumers and Bagel Bites, Ore-Ida's brand of small pizza-topped snacks. The biggest consumer "complaint"? One box isn't enough for hungry kids who eat the whole thing in one sitting. ■ Everyone feels good about Bagel Bites, a niche product Heinz acquired in 1991. Parents like Bagel Bites because it's a convenient, wholesome snack; kids because it's pizza. ■ Armed with the idea that "hot snacks are great for everyone in the family," Ore-Ida created the "snack zone" in supermarket freezers. ■ "Our factory employees are thrilled," says Carlson, who takes her marketing team to the plants four times a year. "They understand the need to improve quality while finding creative ways to reduce costs." ■ Sales are soaring. Bagel Bites is emerging as a $100-million brand. So is Ore-Ida's recently acquired Rosetto pasta, the fastest-growing frozen pasta in the U.S. ■ No one could be happier than Ore-Ida CEO Dick Wamhoff, father of six, who knows a thing or two about feeding families. "These specialty products have really delivered over the past two years. We can't wait to sell them overseas." ■ *Margaret E. Carlson (left), Ore-Ida vice president—specialty products, with Brett, the younger of her two sons; and Richard H. Wamhoff, Ore-Ida president and CEO. / One million Bagel Bites roll off production lines each day in Ft. Myers, Florida.*

Foodservice operators—who run delis, restaurants, cafes, pizzerias, and bistros throughout the world—spent more than $1.8 billion last year on Heinz products. They represent the company's largest business. Spearheading those operations at Heinz U.S.A. is Jeff Berger, who's lived and breathed foodservice for more than two decades. ■ "Five years ago," he said, "we made several acquisitions that formed the growth strategy that evolved." Evolved spectacularly. Profits have soared. "The recent acquisition of Borden's Foodservice Group strengthened Heinz's leadership in single-serve condiments and salad dressings, which are the biggest part of our product portfolio." Given economies of scale and Heinz know-how, Berger expects to double single-serve profits. ■ "With our restaurant-pack ketchup, Chef Francisco frozen soup, and other tomato-based products, Heinz is ready to grow in every segment of fast food. But our whole focus is on consumers, whether they're going to family restaurants, fast-food shops, convenience stores, or take-out stands." ■ Berger's accent may be pure Pittsburgh, but his vision is global. "There's double-digit foodservice growth in Europe and Japan." As only he could put it: "Countries over there are starving to get fast food." ■ *Jeffrey P. Berger, president—Heinz U.S.A. foodservice./ Heinz fills six billion single-serve condiment pouches each year at its Mason, Ohio, factory.*




HEINZ
HEINZ
HEINZ
TOMATO
KETCHUP

Acquisitions and Divestitures

Heinz invested a record $1.2 billion in acquisitions during Fiscal 1995. The largest acquisition in company history was the purchase of Quaker Oats' North American Pet Foods division for $725 million. This added such leading pet food brands as Ken-L Ration, Kibbles'n Bits, Cycle and Gravy Train, thus fortifying Heinz's existing pet food lines and complementing the powerful 9-Lives label for cats. Heinz now offers a full range of both dry and canned dog and cat food. With more than $1 billion in annual sales, the company holds a firm grasp on the number-three spot in the pet food industry.

Heinz U.S.A.'s foodservice division added the Borden Foodservice Group to its Portion Pac operation. Portion Pac, Inc. specializes in single-serve condiments, sauces, spreads, and sweeteners. This purchase solidifies Heinz's position as the leading producer of such foodservice items.

In baby food, Heinz enlarged its global presence through the purchase of Farley's, a leading brand in the U.K. and Pakistan. Also, the company gained an entry into the populous and growing economy of the Indian subcontinent with the purchase of Glaxo's Family Products Division. This further extended Heinz's baby food business with the Farex brand and added Complan and Glucon D, two lines of nutritional drinks. These acquisitions bring Heinz's baby food business to nearly $1 billion in annual sales and make it a global leader.

The Heinz purchase of The All American Gourmet Company created an alliance in the grocery freezer shelf, linking The Budget Gourmet line of frozen meals and side dishes with Heinz's existing Weight Watchers brand entrees. This combination boosts Heinz's annual sales of frozen meals to more than $650 million.

Heinz Italia added to its foodservice business two niche companies, Dega and Bevidea, which extend its reach into new channels, such as bars and taverns.

Sales and Marketing

Global sales for Fiscal 1995 totaled $8.09 billion, which was more than $1 billion (or 15%) higher than the previous year. As the company expanded overall, it maintained its geographic mix, with 43% of sales coming from non-U.S. operations. Marketing support also grew substantially, with $1.7 billion spent to back Heinz brands worldwide. The company continued to gain greater marketing impact through a strategic mix of advertising media, direct marketing, trade promotions, and allowances. For example, major direct mail initiatives helped Heinz U.K. and Weight Watchers International to spark significant consumer interest and to build their respective market shares.

Heinz's big brands performed very well, leading the way to an overall unit volume increase of 6%. Aggregate U.S. domestic sales grew at a 15% rate, while overseas businesses increased 14%. Heinz ketchup, StarKist tuna, Ore-Ida frozen potatoes, pet food, and baby food all boosted sales volume, some at double-digit rates. (See page 24.)

Weight Watchers meeting attendance grew 5%, as its market share again surpassed 50%. Smart Ones brand frozen entrees from Weight Watchers showed increasing strength in a fiercely competitive market.

The company's new power brands continued their advance. Bagel Bites brand snacks, Moore's onion rings, and Domani pasta all scored major gains in the "snack zone" of supermarket freezer cases. Wattie's brands—including Tip Top ice cream, Tegel chicken and Best Friend pet food—strengthened their hold in Australia and New Zealand. With exports representing a quarter of its production, Wattie's continued to expand shipments to Japan and other countries along the Pacific Rim.

Facilities and Procurement

Heinz continued to invest in the expansion and modernization of existing plants. Heinz U.S.A.'s factories in Escalon, California, and Mason, Ohio, underwent renovations so that they can more efficiently meet growing market demands from foodservice customers. Heinz Pet Products continued to expand its giant Bloomsburg, Pennsylvania, pet food plant while consolidating other facilities in its manufacturing network. Ore-Ida invested in a new bakery project at its Ft Myers, Florida, factory to boost production and meet the surging demand for Bagel Bites brand frozen snacks. Heinz Bakery Products rebuilt its Vinita, Oklahoma, factory, which was destroyed totally by fire early in the year.

Similar expansion efforts occurred overseas. Wattie's in New Zealand installed equipment to improve its vegetable production and coating process. Heinz Venezuela commissioned a new ketchup line that will nearly double bottling speeds. Heinz CIS recently inaugurated baby food production at its newly constructed factory in Stavropol, Russia.

Heinz's global procurement efforts continued to gain savings, despite rising costs for packaging materials, such as cardboard and corrugated paper. Overall, Heinz affiliates in North America, Europe, and Australasia obtained ample crops at favorable prices. Good weather led to higher tomato yields in California and the Midwest, while sufficient cucumbers were available despite heavy summer rains.

Public Service

Throughout the world, Heinz affiliates contributed to the welfare of their communities. The H.J. Heinz Company Foundation set the pace with grants totaling $6.3 million to approximately 900 organizations and matched, two-for-one, contributions made by 1,325 employees.

This generosity was matched at the local level. Heinz U.S.A.'s baby food label-saving program—in conjunction with the Children's Miracle Network Telethon—once again raised thousands of dollars for children's hospitals in the U.S. and Canada. Weight Watchers became a national founding sponsor of Shape Up America!, a multi-year health and fitness campaign by the C. Everett Koop Foundation. Heinz Pet Products donated 9-Lives cat food to animal shelters. Ore-Ida supported efforts to provide food for needy senior citizens.

Across the Pacific, Heinz Japan responded to the tragedy of the Kobe earthquake with donations of canned food.

In Italy, PLADA held its annual seminar for pediatricians and, for the first time, included physicians from Spain.

The Heinz Institute of Nutritional Sciences (HINS) conducted its annual symposium in China for physicians, government officials, and consumers. With strong government endorsement, HINS held a similar program in St. Petersburg, Russia.

52%
U.S. retail ketchup market share

49%
U.S. retail frozen potato market share

45%
U.S. tuna market share

H.J. Heinz Company has an exceptional portfolio of brands and businesses around the world. A full 58% of Heinz's sales come from products that are number-one in their respective markets. The following review of affiliates indicates the progress made during the past fiscal year.

The Americas

Heinz U.S.A. The retail market share for Heinz's flagship ketchup exceeded 52%, as shipments increased 8% and single-serve foodservice volume rose 11%...Heinz Hot Ketchup launched to both retail and foodservice accounts...Heinz Fat Free Gravy doubled its volume...Two lines of dinners introduced, as Heinz baby food sales jumped 12% and the company's market share of strained food neared 20%...Escalon Packers' foodservice tomato sales rose 21%. **Ore-Ida** Ore-Ida stretched its lead in frozen retail potatoes, which reached a 49% share...Foodservice potatoes recorded 25% volume growth...Rosetto became the leading frozen pasta brand, nearly doubling its sales...Bagel Bites brand pizza-topped snacks continued rapid growth, with a 79% increase in volume and a market share near 13%...A wide range of new potato, cheese, and pasta varieties enhanced Ore-Ida's presence in the "snack zone" of supermarket freezer cases. **StarKist/Heinz Pet Products** Tuna kept its lead with 45% of the market...StarKist Select brand tuna sales grew 74% and albacore sales increased more than 13%...Pasta Sensations launched, offering tuna dinner kits...The acquisition of Quaker's Pet Foods division made Heinz the nation's third largest pet food maker and gave the company an overall market share of nearly 20%...9-Lives canned cat food scored a 5% increase in volume and reached a 25% market share...Sales of Skippy Premium and Reward canned dog food climbed 4% and 9%, respectively...Pet treats achieved a 10% increase overall, with Meaty Bone dog snacks volume rising 11%...Select Balance and Select Care brands of pet food expanded sales through veterinary clinics and animal hospitals. **Weight Watchers International** Market share surpassed 50% for meetings, as attendance in the U.S. rebounded in response to program improvements...Fat & Fiber Plan introduced in U.S., focusing on reducing fat intake while increasing consumption of fiber-rich foods...U.S. company-owned operations posted a 10% increase in the winter diet season. **Weight Watchers Food Company** Addition of The Budget Gourmet brand made the company a number-two player in the frozen entree category and resulted in a total market share of about 26%...Smart Ones brand frozen entrees restaged, spurring a 35% jump in volume during the winter diet season...The Budget Gourmet brand added the Italian Originals line of eight frozen entrees. **Heinz Canada** Brand power expanded, as retail ketchup market share neared 72%...Baby food rose above 91% market share and tomato juice exceeded 58%...Foodservice business also grew, with the market share for onion rings surpassing 75% and ketchup approaching 74%...Purchase of Pablum cereal trademark complemented baby food business and established a 37% share in pharmacy channels. **Heinz Bakery Products** Sales overall continued to rise, advancing by 14%...U.S. in-store bakery sales surged 33%...Foodservice chain sales increased 9% and Canadian business grew 5%...Muffin sales soared 54%, aided by expanding distribution of Weight Watchers brand varieties. **Alimentos Heinz (Venezuela)** Export volume grew 60%...Major sales gains included a quadrupling of custard sales, a 165% jump for puddings, and 25% rises for both gelatin and tomattina tomato sauce.

Europe and Africa

Heinz U.K. Acquisition of Farley's brand moved overall market share in infant feeding to nearly 34%...Ketchup held at 49%, while pasta share rose above 52%...Soup leadership maintained with 36% share...Weight Watchers brand was the affiliate's largest individual food line, with 15% of its category...New Weight Watchers brand instant soup quickly captured 15% of market. **Heinz Italia** PLADA

32%
U.S. canned cat food market share

61%
U.S. foodservice ketchup market share

90%
Italian baby food market share

scored a 16% increase in sales of infant formula...Dietary food continued its advance, gaining an 11% increase in volume...Plasmon brand junior milk opened unique market segment, taking a 90% share...Arimpex foodservice unit scored double-digit growth, with introduction of sauces, cereals, spreads, soft drinks, fruits and vegetables. **Heinz Northern Europe** Salsa ketchup introduced in France and Holland...Tuna variety of popular Spagheroni pasta sauce launched in France...Orlando brand tomato frito cooking sauce from Spain marketed in Holland for first time under Heinz label...Ketchup and sauces were among full range of foodservice products introduced in Germany. **Heinz Iberica (Spain)** New packaging helped best-selling Orlando tomate frito cooking sauce boost market share to 37%...Table-top sauce sales surged 42%...Foodservice sauces and canned fish introduced, helping advance overall sales by 25%...New infant cereal launched in wake of good response to jarred baby food and juice. **IDAL (Portugal)** Retail ketchup took its market share beyond 40%...Squeezable plastic bottle introduced for Heinz ketchup...Foodservice sales leapt 35%...Jarred baby food gained a 6% market share and new juice varieties elicited favorable response. **COPAIS (Greece)** Launch of Congusto brand spiced tomatoes signaled first foray into retail market...Environmental oasis program implemented in conjunction with Heinz Italia to control pesticide residue. **Heinz Ireland** Increasing sales led to larger market share across major product lines, with frozen meals achieving 76% unit share within the low-calorie sector, tomato ketchup jumping to 32%, baked beans hitting near 26%, and canned soup rising to 13%. **Magyar Foods (Hungary)** Kecskemeti brand baby food remained the overwhelming favorite, with a 90% market share...Sales of baby food and other products expanded in Eastern Europe. **Heinz CIS (Russia)** Retail ketchup launched in Moscow and St. Petersburg...Strained baby food introduced throughout Russia...Gravies and sauces now sold in Russia and neighboring states. **Olivine (Zimbabwe)** Heinz ketchup launched with great fanfare, achieving a remarkable 60% market share in just three months...Olivine brand cooking oil recorded substantial sales and share growth. **Kgalagadi Soap Industries (Botswana)** With a leading share of Botswana's baby soap market, Kgalagadi remained the country's favorite...Product reformulations and new packaging enhanced overall market leadership.

THE PACIFIC RIM AND SOUTHWEST ASIA

Heinz Australia New varieties helped raise strained baby food volume by 14%, as junior baby food line increased 42%...Greenseas tuna pushed ahead, surpassing a 29% market share...Attendance at Weight Watchers meetings rose 7% in response to new promotions...Salsa sauces and 'all-natural' line of canned soup launched...Lower-salt recipe boosted tomato juice share to 17%. **Wattie's Limited (New Zealand)** Strong market shares extended leadership of Wattie's brands in baby food, baked beans and soup...Best Friend pet food showed record results, with flagship Chef cat food brand capturing nearly 49% of its market...Tegel brand foodservice chicken increased volume with the trend toward eating out. **Heinz Japan** Retail sales of Heinz meat sauce more than doubled...Ketchup sales jumped 64%...Pet food sales also showed dramatic increases, with dry cat food growing 53% and canned dog food rising 32%...Foodservice sauces in pouches increased sales by 51%. **Heinz-UFE (China)** Infant cereal continued its strong lead, with a more than 50% market share, as sales volume increased 16%...Two varieties of premium infant rice cereal launched. **Seoul-Heinz (South Korea)** Bakery and foodservice sales reached record-high levels...Seoul-Heinz sponsored the first national Korean baking contest, reinforcing brand leadership. **Heinz Win Chance (Thailand)** Foodservice ketchup continued its exceptional sales growth, increasing 80%...Canned soup from Heinz Australia introduced to Thai consumers. **Heinz India** Complan powdered beverage mix garnered 16% of its market and held the lead in the fast-growing premium high-nutrition segment...Farex milk-based infant cereals got 17% of the Indian market.

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H.J. Heinz Company's financial results for 1995 benefited from improved domestic and foreign sales volume and implementation of cost reduction and productivity enhancement activities. In order to position itself for future growth, the company also invested a record $1.2 billion in acquisitions that strengthened its position in core businesses, extended its geographic reach and created opportunities for improved economies of scale.

In 1995, many of the company's core products, such as Heinz ketchup, StarKist tuna, Ore-Ida frozen potatoes, Heinz baby food and pet food showed significant volume growth. Foodservice products also continued to exhibit excellent volume growth.

The Weight Watchers businesses (meetings and food) improved in 1995. Heinz U.K. continues to deal with competitive pressures and a difficult trade environment, which affected both sales volume and pricing.

Results of Operations

1995 versus 1994: Sales for 1995 increased $1.04 billion, or 15%, to $8.09 billion from $7.05 billion in 1994. Volume growth, acquisitions and the effect of a weaker U.S. dollar against most foreign currencies contributed to the sales increase. Overall, prices remained stable. Fiscal 1995 comprised 53 weeks compared to 52 weeks in 1994.

Volume increased $436.3 million, or 6%, in 1995, approximately two-thirds of which came from domestic sources. In the U.S., increases occurred in Ore-Ida frozen potatoes, StarKist tuna, coated products, Bagel Bites, Heinz ketchup, pasta and pet food. Overseas, most core product categories exhibited strong growth, except for Heinz soups and beans in the United Kingdom. The overseas core product growth was driven by baby food and sauces/pastes.

Acquisitions increased sales $488.1 million, or 7%. Acquisitions included: the North American pet food businesses of The Quaker Oats Company (the "Pet Food Business"); The All American Gourmet Company, maker of The Budget Gourmet brand of frozen meals and side dishes; the Family Products Division of Glaxo India, Ltd., which produces a wide range of nutritional drinks, baby food and other consumer products; Farley's infant foods and adult nutrition business from The Boots Company PLC; the Borden Foodservice Group, a unit of Borden, Inc.; Dega, a foodservice products company located in Italy; and other small acquisitions.

Overall, prices remained relatively stable, increasing by $10.6 million in 1995, with increases abroad partially offset by decreases in domestic markets. Foreign price increases on baby food, seafood, soap and cooking oil were partially offset by price decreases in core products in the United Kingdom. In the U.S., price decreases in Weight Watchers brand frozen entrees, StarKist tuna, and pet food were partially offset by increases in Ore-Ida frozen potatoes, soup, Weight Watchers meeting fees, sauces/pastes and Heinz ketchup.

Foreign currencies strengthened against the U.S. dollar, increasing sales $120.7 million, or 2%, which represents the first increase after three consecutive years of unfavorable currency movements. This increase came primarily from sales in New Zealand, the United Kingdom, Japan and Australia.

In the United Kingdom, competitive pressures and a difficult trade environment continued to affect both sales volume and pricing. In addition, unseasonably warm weather adversely affected soup sales. In the fourth quarter of 1995, however, Heinz U.K.'s results showed improvement due to better pricing and overall volume improvements.

Gross profit increased $302.2 million in 1995 to $2.97 billion from $2.66 billion in 1994, due primarily to higher sales levels. The ratio of gross profit to sales decreased 1.1% to 36.7%. An unfavorable profit mix related to recent acquisitions, including the associated amortization of goodwill, prior-year divestitures and higher foodservice sales negatively affected the current year's gross profit ratio. Improvements resulting from production efficiencies implemented in prior years had a positive effect on gross profit.

The company completed several productivity improvement and cost reduction initiatives under its two-year restructuring program for which a pretax charge of $192.3 million had been recorded in 1993. During 1994, the company reduced headcount at its Australian operations; closed a pet food plant in Pascagoula, Mississippi; downsized and consolidated StarKist Seafood headquarters functions with those of Heinz Pet Products in Newport, Kentucky; realigned production at Ore-Ida's Ontario, Oregon factory; downsized the domestic administration of Weight Watchers International meeting operations; downsized the administrative functions of the Italian operations; reduced manufacturing headcount and reorganized administrative functions in the United Kingdom; consolidated domestic sales service functions into the Heinz Service Company; and realigned production between Canada and the United States. During 1995, the company completed the transfer of pickle and soup production from Canadian to U.S. facilities; closed the Chef Francisco frozen soup factory in Eugene, Oregon and relocated production to other company facilities; further reduced manufacturing and administrative headcount in the United Kingdom; downsized the foreign administration of Weight Watchers meeting operations and further consolidated sales service functions related to the Heinz Service Company. In total, more than 2,700 positions have been eliminated.

In 1995, the company initiated additional productivity improvements for which a charge was recorded in operating income. The current-year initiatives included: severance, relocation and exit costs associated with the downsizing of the company's Crestar Food Products unit; the relocation of certain administrative functions related to the Weight Watchers Food business; non-cash asset write-downs associated with the company's distribution system and severance costs in Italy. The effect of the current-year charge was immaterial.

Selling, general and administrative (SG&A) expenses increased $87.7 million to $1.81 billion from $1.72 billion, but decreased as a percentage of sales to 22.4% from 24.5% a year ago. Increased selling and distribution costs associated with acquisitions and higher volume contributed the majority of the increase. The improved ratio of SG&A expenses as a percentage of sales resulted mainly from a reduction in marketing and administrative costs in existing businesses.

Total marketing support (including trade and consumer promotions and media) increased 12% to $1.7 billion, which helped fuel sales volume and profit growth.

Operating income increased $87.5 million in 1995 to $1.16 billion from $1.07 billion a year ago. In 1994, operating income included the gains on the sale of the confectionery business of Heinz Italia and the sale of the Near East specialty rice business, which together totaled $127.0 million. Excluding these gains, operating income increased $214.5 million, or 23%. The increase in operating income was primarily due to the sales-driven increase in gross profit.

The Weight Watchers businesses (meetings and food) showed significant profit improvement in 1995. Meeting attendance in the U.S. increased over last year, which was affected by the Los Angeles earthquake, a severe winter and an industry-wide decline in attendance. Although the entire weight loss industry continues to show weakness, the Weight Watchers meetings' market share exceeds 50%. As a result of its improved cost structure and established infrastructure, Weight Watchers meeting operations are well positioned to grow profitably in the current market environment and to take advantage of any

future increase in the percentage of dieters using weight-loss services. Weight Watchers Food business showed improved profitability mainly through more targeted marketing, reduced administrative expenditures and cost savings from productivity enhancements.

Non-operating expenses totaled $217.8 million in 1995 compared to $146.0 million in 1994. Interest expense increased $61.3 million, or 41%, due to higher short-term interest rates and higher debt related to current-year acquisitions and the company's share repurchase program.

The effective tax rate was 37.0% in 1995 and 34.6% in 1994. The lower 1994 effective tax rate reflects tax benefits from overseas operations ($57.3 million). (See Note 5 to the Consolidated Financial Statements.) The current-year effective tax rate of 37.0% is more indicative of expected future rates.

Net income decreased $11.9 million, or 2%, to $591.0 million from $602.9 million in the prior year, which included the gain on the sale of the confectionery and specialty rice businesses. Earnings per share increased to $2.38 from $2.35. Earnings per share benefited slightly from a reduction in the number of common shares outstanding resulting from the company's share repurchase program. The 1994 results included gains of $0.24 per share from the sale of the confectionery business of Heinz Italia and the sale of the Near East specialty rice business and the recognition of certain tax benefits overseas of $0.22 per share. Excluding the $0.24 per share gains from the sale of the confectionery and specialty rice businesses, earnings per share increased $0.27, or 13%.

The impact of fluctuating exchange rates for 1995 remained relatively consistent on a line-by-line basis throughout the Consolidated Statement of Income.

1994 versus 1993: Sales for 1994 decreased $56.6 million, or 1%, to $7.05 billion from $7.10 billion in 1993. Divestitures and the effects of the stronger U.S. dollar against most foreign currencies produced the sales decrease, which was partially offset by price increases and acquisitions. Volume remained flat.

For the third year in a row, unfavorable foreign currency translation rates adversely impacted sales. The negative sales impact of foreign currency translation was $278.6 million, or 4%, the largest dollar decline in the company's history. This resulted principally from an unprecedented decline of the United Kingdom pound sterling and the Italian lira against the U.S. dollar as a result of these two countries leaving the European Monetary System in Fiscal 1993.

Prices increased $134.1 million in 1994, or 2%, principally in the U.S. Increases in StarKist tuna, Ore-Ida frozen potatoes and Heinz grocery ketchup were partially offset by declines in pet food. Overseas, price increases occurred in several countries, notably Italy, Zimbabwe and Venezuela.

Acquisitions, net of divestitures, increased sales $89.1 million, or 1%. Acquisitions included the 1994 purchase of the Moore's and Domani product lines (coated frozen foods and Italian frozen pastas) from The Clorox Company of Oakland, California; and the purchases of Wattie's Limited of New Zealand in October 1992 and several domestic Weight Watchers franchises in 1993. Divestitures included the confectionery business of Heinz Italia, the Near East specialty rice business and other smaller businesses, including the Chico-San rice cake business.

Volume was flat year-on-year; increases at foreign operations offset decreases at domestic operations. Foreign volume increased in sauces/pastes, baby food and Heinz beans. Foreign volume declines occurred

in condiments and soup. Domestically, volume decreased in the Weight Watchers businesses (meetings and food), Ore-Ida grocery frozen potatoes, Heinz grocery ketchup, StarKist tuna and Heinz baby food. The volume decreases were due in part to the strategy to "de-load" trade inventories, implemented in 1994. Domestic volume increases occurred in Ore-Ida foodservice potatoes, pet food, Heinz foodservice ketchup and single-serve condiments.

Gross profit increased $92.2 million in 1994 to $2.66 billion from $2.57 billion. Excluding the effect of the 1993 restructuring charges of $143.5 million, gross profit declined $51.3 million due primarily to the sales decline in the Weight Watchers businesses (meetings and food), the trade "de-loading" strategy and foreign exchange. This was partially offset by the effects of acquisition and divestiture activities, reduced trade promotions, lower costs associated with the restructuring projects and operating improvements resulting from the implementation of the restructuring strategy. The ratio of gross profit to sales increased to 37.8% from 36.2%. Excluding the effect of the restructuring charges, the 1993 gross profit ratio was 38.2%.

SG&A expenses increased $11.7 million to $1.72 billion from $1.71 billion, primarily due to increases in consumer promotions as well as incremental selling and distribution expenses resulting from the full-year effect of the Wattie's Limited acquisition, partially offset by a decrease in general and administrative expenses. The decline in general and administrative expenses was due to restructuring charges recorded in 1993, lower costs associated with the restructuring projects and operating improvements resulting from the implementation of the restructuring strategy.

Operating income increased $207.5 million in 1994 to $1.07 billion from $860.9 million in 1993. The increase in operating income was primarily due to the inclusion of gains on the sale of the confectionery business of Heinz Italia and the Near East specialty rice business in 1994 ($127.0 million) and the restructuring charges recorded in 1993 ($192.3 million). Adjusting for these items, operating income declined $111.8 million, or 11% (declined to 13% of sales from 15% of sales). This decline was principally due to the decline in gross profit and increase in SG&A expenses, as discussed above.

Non-operating expenses totaled $146.0 million in 1994 compared to $145.1 million in 1993. Interest income increased $7.3 million to $36.8 million from $29.5 million in the prior year due to higher invested cash generated from recent divestitures. Interest expense increased $2.8 million to $149.2 million in 1994 from $146.5 million in 1993, primarily the result of the additional interest associated with the $750 million of debentures issued in the second and third quarters of 1993, partially offset by lower average short-term borrowings. Offsetting this decrease in net interest were lower foreign government grants in 1994.

The effective tax rate was 34.6% in 1994 and 26.0% in 1993. Both years' effective tax rates reflect tax benefits from overseas operations ($57.3 million in 1994 and $41.8 million in 1993). The 1993 tax rate also benefited from the recognition of foreign tax credits associated with the company's overseas dividend strategy ($40.0 million). (See Note 5 to the Consolidated Financial Statements.)

Net income increased $206.6 million, or 52%, to $602.9 million from $396.3 million in the prior year, and net income per share increased to $2.35 from $1.53. The increase in net income per share of 54% in 1994, versus the 52% increase in net income, reflected the favorable benefit of the company's share repurchase plan. The 1994 results included gains of $0.24 per share from the sale of the confectionery business of Heinz Italia and the sale of the Near East specialty rice business. In addition, 1994 and

1993 benefited from lower effective tax rates. The 1993 results included the effect of the adoption of FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ($0.51 per share) and restructuring charges ($0.45 per share).

The impact of fluctuating exchange rates for 1994 remained relatively consistent on a line-by-line basis throughout the Consolidated Statement of Income.

Liquidity and Financial Position

Return on average shareholders' equity (ROE) was 24.6% in 1995, 25.9% in 1994 and 22.0% in 1993 (before the cumulative effect of adopting FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"). Pretax return on average invested capital (ROIC) was 22.1% in 1995 compared to 22.7% in 1994 and 18.7% in 1993.

Cash provided by operating activities was $752.5 million in 1995, compared to $931.2 million in 1994. The decrease in 1995 versus 1994 was the result of higher taxes paid and higher operating working capital requirements principally related to increased sales levels.

In 1994, cash provided by operating activities increased $519.3 million to $931.2 million, from $411.9 million in 1993. The increase was the result of lower working capital requirements, resulting from trade "de-loading," offset partially by expenditures for the restructuring program.

Cash used for investing activities was $1.5 billion in 1995 versus $27.4 million in 1994. The increase in cash used for investing activities was due primarily to acquisitions totaling $1.2 billion. Acquisitions in 1995 included the Pet Food Business; The All American Gourmet Company, maker of The Budget Gourmet brand of frozen meals and side dishes; the Family Products Division of Glaxo India, Ltd.; Farley's infant foods and adult nutrition business from The Boots Company PLC; the Borden Foodservice Group, a unit of Borden, Inc.; Dega, a foodservice products company located in Italy; and other small acquisitions. Acquisitions in 1994 included the Moore's and Domani product lines and Farex, a baby food company in Australia. (See Note 2 to the Consolidated Financial Statements.)

Capital expenditures totaled $341.8 million in 1995 and $275.1 million in 1994. Both years reflected expenditures for productivity improvements and plant expansions, principally at the company's Ore-Ida, United Kingdom, StarKist Foods, Heinz U.S.A. and Wattie's operations.

Purchases and sales/maturities of short-term investments increased significantly in 1995 in order to provide liquidity to fund various acquisitions made by the company. It is expected that the 1996 investment activity will return to prior years' levels. In addition, the company periodically sells a portion of its short-term investment portfolio in order to reduce its borrowings.

Divestitures during 1994 included proceeds from the Italian confectionery business and the Near East specialty rice business, as well as other smaller businesses. (See Note 3 to the Consolidated Financial Statements.)

The company's Heinz Pet Products division completed the purchase of $10.0 million of common stock of Veterinary Centers of America, Inc. ("VCA") on January 18, 1995. The investment gives Heinz Pet Products an 18% interest in VCA, which owns and operates a nationwide network of veterinary hospitals and veterinary clinical laboratories. Heinz Pet Products and VCA participate in a joint venture, Vet's Choice, which markets and distributes a line of specialty pet foods.

Financing activities provided $733.4 million in 1995 compared to requiring $861.5 million in 1994. In 1995, the company used short- and long-term borrowings to fund acquisitions, capital expenditures, and purchases of treasury stock.

Net proceeds from short-term borrowings totaled $630.3 million in 1995, compared to net repayments of $398.3 million in 1994, principally due to the issuance of $700 million of short-term privately placed commercial paper used to finance the acquisition of the Pet Food Business. This commercial paper program is supported by a line of credit agreement which expires in September 1995. A portion of the privately placed commercial paper was repaid on April 26, 1995 through the issuance of long-term debt.

The average amount of short-term borrowings outstanding (excluding the long-term portion of domestic commercial paper) during 1995, 1994 and 1993 was $1.2 billion, $1.2 billion and $1.9 billion, respectively. Total short-term debt had a weighted average interest rate during 1995 of 6.1% and at year-end of 6.7%. The weighted average interest rate on short-term debt during 1994 was 4.3% and at year-end was 5.2%.

Aggregate domestic commercial paper had a weighted average interest rate during 1995 of 5.3% and at year-end of 6.1%. In 1994, the weighted average rate was 3.3%, and the rate at year-end was 3.6%. Based upon the amount of commercial paper recorded at May 3, 1995, a variance of 1/8% in the related interest rate would cause interest expense to change by approximately $1.8 million. During 1995, the company, as noted below, began converting from short-term to long-term debt in order to mitigate adverse effects of interest rate changes. The company continues to evaluate other long-term financing vehicles in order to reduce short-term variable interest rate debt.

In two separate offerings, the company issued notes in the international capital markets which resulted in total proceeds of approximately $555 million. The company used the proceeds from the notes to repay domestic commercial paper.

On January 5, 1995, the company issued $300 million of three-year 8.0% notes in the international capital markets. The company entered into an interest rate swap agreement that effectively converted the fixed interest rate associated with the notes to a variable rate based on LIBOR. Due to favorable market conditions, the company terminated the interest rate swap agreement and is amortizing the resulting gain over the remaining life of the notes, producing an effective borrowing rate of 7.3%.

On April 26, 1995, the company issued $250 million of five-year 7.5% notes in the international capital markets. The company used the proceeds from these notes to repay a portion of the privately placed commercial paper borrowings incurred in connection with the acquisition of the Pet Food Business.

The company replaced its Fiscal 1994 line of credit agreements supporting domestic commercial paper on September 6, 1994. The new line of credit agreements total $1.6 billion, of which $800 million expires on September 5, 1995, at which time it is anticipated that the company will establish a new one-year facility. The remaining $800 million expires in September 1999. As a result, $800 million of domestic commercial paper is classified as long-term debt as of May 3, 1995. Fiscal 1994 domestic line of credit agreements of $1.5 billion have been terminated. As of fiscal year-end 1994, $750 million of domestic commercial paper was classified as long-term debt.

On March 14, 1995, Standard & Poor's Ratings Group lowered the "A-1+" commercial paper rating and the "AA-" long-term debt rating of the company to "A-1" and "A+," respectively. On April 7, 1995, Moody's Investors Service lowered the senior debt rating of the company from "Aa2" to "A1". The P-1 rating for commercial paper has been confirmed.

On September 13, 1994, the Board of Directors raised the quarterly dividend on the company's common stock from $0.33 per share to $0.36 per share. The company paid $345.4 million in dividends to both common and preferred shareholders, an increase of $19.5 million over 1994. The dividend rate

in effect at the end of each year resulted in a payout ratio of 60.5% in 1995, 56.2% in 1994, and 58.8% in 1993 (before the cumulative effect of the accounting change).

In 1995, the company repurchased 7.6 million shares of treasury stock, or 3% of the amount outstanding at the beginning of Fiscal 1995, at a cost of $273.7 million. The previous 10.0 million share repurchase program, which began in June 1993, was completed in September 1994. As of May 3, 1995, the company had repurchased 3.7 million shares as part of the current 10.0 million share repurchase program, which was authorized by the Board of Directors on September 13, 1994. During 1994, 6.5 million shares were repurchased at a cost of $222.6 million. The company may reissue repurchased shares upon the exercise of stock options, conversion of preferred stock and for general corporate purposes.

During the year, the company participated in the formation of a business (the "entity") which purchases a portion of the trade receivables generated by the company. The company sells receivables to Jameson, Inc., a wholly-owned subsidiary, which then sells undivided interests in the receivables to the entity. Outside investors contributed $95.4 million in capital to the entity. The company consolidates the entity, and the capital contributed by the outside investors is classified as minority interest ("other long-term liabilities") on the May 3, 1995 Consolidated Balance Sheet.

In March 1995, the Financial Accounting Standards Board issued Financial Accounting Standard ("FAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This statement requires that those assets to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and those assets to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The statement must be adopted no later than Fiscal 1997. The company is currently evaluating the effect that implementation of the new standard will have on its results of operations and financial position.

The impact of inflation on both the company's financial position and results of operations has been minimal and is not expected to adversely affect 1996 results.

The company's financial position continues to remain strong, enabling it to meet cash requirements for operations, capital expansion programs and dividends to shareholders.

Outlook

To date, the company has only partially realized potential cost synergies (primarily administrative in nature) from recent acquisitions; the company expects to achieve further synergies from these acquisitions when the manufacturing operations are rationalized.

In order to achieve these synergies, management expects that implementation of its initial strategy to combine recent acquisitions with existing operations, which began in 1995, will continue through 1996. The strategy includes plans to consolidate or relocate certain production and other administrative activities of the Pet Food Business, The All American Gourmet Company, Farley's, and the Family Products Division of Glaxo India, Ltd. It is anticipated that the strategy will result in cash expenditures of approximately $77 million, which have been provided for in the opening balance sheets of the acquired

companies as "other accrued liabilities." These expenditures primarily relate to plans to exit certain activities of the acquired companies (approximately $61 million) and terminate personnel performing duplicative functions at acquired companies or relocate certain employees of the acquired companies (approximately $16 million). The company has begun the rationalization process by announcing the closing of the cannery at the Topeka, Kansas factory of the Pet Food Business to dedicate that facility to the production of dry pet food and the closure of The All American Gourmet Company headquarters in Orange, California. The company will have final integration plans in place within one year from the acquisition date of each company. The company expects that certain integration costs will be incurred related to the aforementioned acquisitions, which will be expensed as incurred.

Separately, on June 19, 1995, the company announced the closure of the Heinz Pet Products' Biloxi, Mississippi, pet food manufacturing plant, which will affect approximately 80 salaried and hourly employees. This closure will result in an immaterial charge to earnings in the first quarter of Fiscal 1996. Production will be consolidated within existing Heinz Pet Products operations.

Recent Development

The company has agreed to assist certain shareholders in diversifying their investment portfolios and, as a result, will file a registration statement with the Securities and Exchange Commission to facilitate the sale of company common shares. The shareholders (Howard Heinz Endowment, the Vira I. Heinz Endowment, the Heinz Family Foundation and certain Heinz family trusts) have announced their intention to sell a portion of their common stock holdings in the company through an underwritten secondary offering. This offering of approximately 13.5 million shares (up to $700 million) will be made by means of a prospectus only and is expected to occur in August 1995.

Stock Market Information

H.J. Heinz Company common stock is traded principally on the New York Stock Exchange and the Pacific Stock Exchange, under the symbol HNZ. The number of shareholders of record of the company's common stock as of June 30, 1995 approximated 59,369. The closing price of the common stock on the New York Stock Exchange composite listing on May 3, 1995 was $42⅜.

Stock price information for common stock by quarter follows:

	Stock Price Range	
	High	*Low*
1995		
First	$35½	$31⅝
Second	38⅝	32⅜
Third	41¼	35½
Fourth	43	37⅛
1994		
First	$39¼	$35⅛
Second	39⅞	34⅛
Third	38½	34
Fourth	35⅞	30¾

Segment and Geographic Data

The company is engaged principally in one line of business—processed food products—which represents more than 90% of consolidated sales. The following table presents information about the company by geographic area. There were no material amounts of sales or transfers among geographic areas and no material amounts of United States export sales.

(Dollars in thousands)	Domestic	Foreign	Worldwide	North America	Europe	Asia/Pacific	Other
1995							
Sales	$4,628,507	$3,458,287	$8,086,794	$4,982,959	$1,881,013	$1,006,198	$216,624
Operating income	656,897	498,912	1,155,809	715,592	282,941	121,951	35,325
Identifiable assets	4,812,122	3,435,066	8,247,188	5,161,418	1,979,351	919,988	186,431
Capital expenditures*	188,099	153,689	341,788	201,912	72,384	48,435	19,057
Depreciation and amortization expense	197,009	118,258	315,267	213,243	68,122	28,214	5,688
1994							
Sales	$4,021,436	$3,025,302	$7,046,738	$4,380,310	$1,685,167	$ 816,943	$164,318
Operating income†	534,395	533,948	1,068,343	587,622	371,794	89,359	19,568
Identifiable assets	3,657,114	2,724,032	6,381,146	3,992,820	1,551,477	729,240	107,609
Capital expenditures*	154,505	120,547	275,052	167,473	65,802	33,491	8,286
Depreciation and amortization expense	161,219	98,590	259,809	177,398	54,543	23,433	4,435
1993							
Sales	$4,049,901	$3,053,473	$7,103,374	$4,429,916	$1,952,831	$ 565,465	$155,162
Operating income†	412,998	447,887	860,885	478,053	300,463	58,620	23,749
Identifiable assets	3,930,173	2,891,148	6,821,321	4,296,904	1,772,138	669,420	82,859
Capital expenditures*	266,670	164,043	430,713	291,980	101,736	27,046	9,951
Depreciation and amortization expense	136,590	98,345	234,935	155,530	60,142	15,076	4,187

**Excludes property, plant and equipment acquired through acquisitions.*

†Fiscal 1994 domestic and foreign operating income includes the gain on the sale of the confectionery and specialty rice businesses of $46.3 million and $80.7 million, respectively. Fiscal 1993 domestic and foreign operating income includes restructuring charges of $109.7 million and $82.6 million, respectively.

Fiscal Year Ended	*May 5, 1995*	*April 27, 1994*	*April 28, 1993*
(Dollars in thousands, except per share data)	*(53 weeks)*	*(52 weeks)*	*(52 weeks)*
Consolidated Statements of Income:			
Sales	$8,086,794	$7,046,738	$7,103,374
Cost of products sold	5,119,597	4,381,745	4,530,563
Gross profit	2,967,197	2,664,993	2,572,811
Selling, general and administrative expenses	1,811,388	1,723,651	1,711,926
Gain on sale of confectionery and specialty rice businesses	–	127,001	–
Operating income	1,155,809	1,068,343	860,885
Interest income	36,566	36,771	29,495
Interest expense	210,585	149,243	146,491
Other expense, net	43,783	33,485	28,108
Income before income taxes and cumulative effect of accounting change	938,007	922,386	715,781
Provision for income taxes	346,982	319,442	185,838
Income before cumulative effect of accounting change	591,025	602,944	529,943
Cumulative effect of FAS No. 106 adoption	–	–	(133,630)
Net income	$ 591,025	$ 602,944	$ 396,313
Consolidated Statements of Retained Earnings:			
Amount at beginning of year	$3,633,385	$3,356,399	$3,257,173
Net income	591,025	602,944	396,313
Cash dividends:			
Common stock	345,358	325,887	297,009
Preferred stock	64	71	78
Amount at end of year	$3,878,988	$3,633,385	$3,356,399
Per Common Share Amounts:			
Income before cumulative effect of accounting change	$ 2.38	$ 2.35	$ 2.04
Cumulative effect of FAS No. 106 adoption	–	–	(0.51)
Net income	$ 2.38	$ 2.35	$ 1.53
Cash dividends	$ 1.41	$ 1.29	$ 1.17
Average common shares outstanding	248,537,537	256,812,016	259,788,461

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

H.J. Heinz Company and Subsidiaries

Assets (Dollars in thousands)	*May 3, 1995*	*April 27, 1994*
Current Assets:		
Cash and cash equivalents	$ 124,338	$ 98,536
Short-term investments, at cost which approximates market	82,693	43,868
Receivables (net of allowances: 1995 – $16,309 and 1994 – $15,407)	1,030,790	812,501
Inventories:		
Finished goods and work-in-process	1,004,350	851,944
Packaging material and ingredients	370,220	293,803
	1,374,570	1,145,747
Prepaid expenses	190,412	154,017
Other current assets	20,219	36,861
Total current assets	2,823,022	2,291,530
Property, Plant and Equipment:		
Land	60,955	50,801
Buildings and leasehold improvements	804,762	690,483
Equipment, furniture and other	3,138,937	2,701,656
	4,004,654	3,442,940
Less accumulated depreciation	1,470,278	1,275,213
Total property, plant and equipment, net	2,534,376	2,167,727
Other Non-Current Assets:		
Investments, advances and other assets	543,032	579,420
Goodwill (net of amortization: 1995 – $163,793 and 1994 – $127,708)	1,682,933	992,994
Other intangibles (net of amortization: 1995 – $117,430 and 1994 – $85,862)	663,825	349,475
Total other non-current assets	2,889,790	1,921,889
Total assets	$8,247,188	$6,381,146

See Notes to Consolidated Financial Statements.

Liabilities and Shareholders' Equity (Dollars in thousands)	May 3, 1995	April 27, 1994
CURRENT LIABILITIES:		
Short-term debt	$1,018,354	$ 416,372
Portion of long-term debt due within one year	55,937	23,329
Accounts payable	720,747	575,269
Salaries and wages	77,276	72,312
Accrued marketing	141,701	105,102
Other accrued liabilities	470,842	300,058
Accrued restructuring costs	–	69,385
Income taxes	79,209	130,535
Total current liabilities	2,564,066	1,692,362
LONG-TERM DEBT AND OTHER LIABILITIES:		
Long-term debt	2,326,785	1,727,002
Deferred income taxes	348,576	248,630
Non-pension postretirement benefits	220,673	217,044
Other	314,219	157,557
Total long-term debt and other liabilities	3,210,253	2,350,233
SHAREHOLDERS' EQUITY:		
Capital stock:		
Third cumulative preferred, $1.70 first series, $10 par value	358	398
Common stock, 287,401,000 shares issued, $.25 par value	71,850	71,850
	72,208	72,248
Additional capital	157,215	170,179
Retained earnings	3,878,988	3,633,385
Cumulative translation adjustments	(157,159)	(264,119)
	3,951,252	3,611,693
Less:		
Treasury shares, at cost (43,724,933 shares at May 3, 1995 and 38,359,744 shares at April 27, 1994)	1,450,724	1,239,177
Unearned compensation relating to the ESOP	27,659	33,965
Total shareholders' equity	2,472,869	2,338,551
Total liabilities and shareholders' equity	$8,247,188	$6,381,146

Consolidated Statements of Cash Flows

H.J. Heinz Company and Subsidiaries

Fiscal Year Ended	*May 3, 1995*	*April 27, 1994*	*April 28, 1993*
(Dollars in thousands)	*(53 weeks)*	*(52 weeks)*	*(52 weeks)*
Operating Activities:			
Net income	$ 591,025	$ 602,944	$ 396,313
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	238,229	200,035	185,962
Amortization	77,038	59,774	48,973
Deferred tax provision	134,304	106,803	(75,263)
Gain on sale of confectionery and specialty rice businesses	–	(127,001)	–
Provision for restructuring	–	–	179,328
Cumulative effect of FAS No. 106 adoption	–	–	133,630
Other items, net	(43,680)	(55,767)	(44,479)
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	(77,039)	135,195	(137,499)
Inventories	(87,580)	9,742	(114,347)
Prepaid expenses and other current assets	(27,634)	14,688	(47,433)
Accounts payable	111,361	67,660	15,038
Accrued liabilities	(72,644)	(110,822)	(5,854)
Income taxes	(90,874)	27,954	(122,471)
Cash provided by operating activities	752,506	931,205	411,898
Investing Activities:			
Capital expenditures	(341,788)	(275,052)	(430,713)
Acquisitions, net of cash acquired	(1,178,819)	(95,685)	(370,189)
Proceeds from divestitures	52,497	265,573	1,872
Purchases of short-term investments	(1,808,327)	(598,486)	(116,153)
Sales and maturities of short-term investments	1,800,992	680,208	129,462
Investment in tax benefits	14,436	1,400	(37,226)
Other items, net	(12,819)	(5,377)	(6,872)
Cash (used for) investing activities	(1,473,828)	(27,419)	(829,819)
Financing Activities:			
Proceeds from long-term debt	573,689	991	969,394
Payments on long-term debt	(10,209)	(18,249)	(240,246)
Proceeds from (payments on) short-term debt, net	630,310	(398,333)	11,730
Dividends	(345,422)	(325,958)	(297,087)
Purchase of treasury stock	(273,671)	(222,582)	(148,511)
Proceeds from minority interest	95,400	–	–
Proceeds from borrowings against insurance policies	70,931	134,162	–
Repayments of borrowings against insurance policies	(68,898)	(65,264)	–
Exercise of stock options	44,263	22,645	72,043
Other items, net	17,014	11,042	37,920
Cash provided by (used for) financing activities	733,407	(861,546)	405,243
Effect of exchange rate changes on cash and cash equivalents	13,717	(12,136)	(11,597)
Net increase (decrease) in cash and cash equivalents	25,802	30,104	(24,275)
Cash and cash equivalents at beginning of year	98,536	68,432	92,707
Cash and cash equivalents at end of year	$ 124,338	$ 98,536	$ 68,432

See Notes to Consolidated Financial Statements.

1. Significant Accounting Policies

Fiscal Year: H.J. Heinz Company operates on a 52- or 53-week fiscal year ending the Wednesday nearest April 30. However, certain foreign subsidiaries have earlier closing dates to facilitate timely reporting. Fiscal years for the financial statements included herein ended May 3, 1995, April 27, 1994 and April 28, 1993.

Principles of Consolidation: The consolidated financial statements include the accounts of the company and its subsidiaries. All intercompany accounts and transactions were eliminated. Certain prior-year amounts have been reclassified in order to conform with the 1995 presentation.

Translation of Foreign Currencies: For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

Cash Equivalents: Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined principally under the average cost method.

Property, Plant and Equipment: Land, buildings and equipment are recorded at cost. For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are generally used for income tax purposes. Expenditures for new facilities and improvements that substantially extend the capacity or useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

Intangibles: Goodwill and other intangibles arising from acquisitions are being amortized on a straight-line basis over periods not exceeding 40 years. The company regularly reviews the individual components of the balances by evaluating the future cash flows to determine the recoverability of the assets and recognizes, on a current basis, any diminution in value.

Income Taxes: Deferred income taxes result primarily from temporary differences between financial and tax reporting. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

The company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes. In cases where they will not offset U.S. income taxes, appropriate provisions are included in the Consolidated Statements of Income.

Net Income Per Common Share: Net income per common share has been computed by dividing income applicable to common shareholders by the weighted average number of shares of common stock outstanding and common stock equivalents during the respective years. Fully diluted earnings per share are not significantly different from primary earnings per share and, accordingly, are not presented.

Recently Issued Accounting Standards: In March 1995, the Financial Accounting Standards Board issued Financial Accounting Standard ("FAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This statement requires that those assets to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and those assets to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The statement must be adopted no later than Fiscal 1997. The company is currently evaluating the effect that implementation of the new standard will have on its results of operations and financial position.

Financial Instruments: The company uses derivative financial instruments for the purpose of hedging currency, price and interest rate exposures which exist as part of ongoing business operations. As a policy, the company does not engage in speculative or leveraged transactions, nor does the company hold or issue financial instruments for trading purposes.

□ *Interest Rate Swap Agreements:* The company may utilize interest rate swap agreements to lower funding costs, to diversify sources of funding or to alter interest rate exposure. Amounts paid or received on interest rate swap agreements are accrued and recognized as adjustments to interest expense. Gains and losses realized upon the settlement of such contracts are deferred and amortized to interest expense over the remaining term of the debt instrument or are recognized immediately if the underlying instrument is settled.

□ *Foreign Currency Contracts:* The company enters into forward, option and swap contracts to hedge transactions denominated in foreign currencies in order to reduce the currency risk associated with fluctuating exchange rates. Such contracts are used primarily to hedge purchases of certain raw materials and finished goods and payments arising from certain intercompany transactions with foreign subsidiaries. Gains and losses are deferred in the cost basis of the underlying transaction. If an anticipated foreign currency transaction does not occur, gains and losses are recognized immediately.

□ *Commodity Contracts:* In connection with purchasing certain commodities for future manufacturing requirements, the company enters into commodities futures and option contracts, as deemed appropriate, to reduce the effect of price fluctuations. Such contracts are accounted for as hedges, with gains and losses recognized as part of cost of products sold, and generally have a term of less than one year.

The cash flows related to the above financial instruments are classified in the Statements of Cash Flows in a manner consistent with those of the transactions being hedged.

Business Segment Information: Information concerning business segment and geographic data is in Management's Discussion and Analysis.

2. Acquisitions

All of the following acquisitions have been accounted for as purchases and, accordingly, the respective purchase prices have been allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. Operating results of businesses acquired have been included in the Consolidated Statements of Income from the respective acquisition dates forward.

On March 14, 1995, the company completed the acquisition of the North American pet food businesses of The Quaker Oats Company (the "Pet Food Business") for approximately $725 million. Among the major brands of the Pet Food Business are Kibbles'n Bits dry dog food; Cycle canned and dry dog food; Gravy Train dry dog food (U.S. only); Ken-L Ration canned dog food; and Snausages, Pup-Peroni and Pounce pet treats. The acquisition has significantly strengthened the company's presence in the pet food industry. The funds used to acquire the Pet Food Business were provided primarily through the issuance of privately placed commercial paper.

The preliminary allocation of the purchase price has resulted in goodwill of $516.3 million and other intangible assets of $153.8 million. These items are being amortized on a straight-line basis over periods not exceeding 40 years.

In connection with the acquisition of the Pet Food Business, the company has established certain opening balance sheet accruals for employee severance and relocation costs ($7 million) and facilities consolidation and closure costs (exit costs of $24 million) based upon a preliminary assessment of such actions to be undertaken. The aforementioned amounts are included in "other accrued liabilities" on the May 3, 1995 Consolidated Balance Sheet. On June 19, 1995, the company announced that it intended to close the cannery at the Topeka, Kansas factory and dedicate that facility to dry pet food manufacturing. Canned pet food production will be transferred to existing company-owned facilities. As a result, it is expected that headcount at Topeka, Kansas will be reduced by approximately 150. The company will have final integration plans in place within one year of the acquisition date.

The following pro forma information combines the consolidated results of operations as if the acquisition of the Pet Food Business had been consummated as of the beginning of the periods presented, after including the impact of certain adjustments. Adjustments include (i) the amortization of goodwill and other intangibles; (ii) interest expense related to the acquisition debt; (iii) depreciation on the restated values of property, plant and equipment; and (iv) the related income tax effects.

	(Unaudited)	
(Dollars in thousands, except per share amounts)	*1995*	*1994*
Sales	$8,502,405	$7,539,502
Net income	$ 585,803	$ 595,389
Net income per share	$ 2.36	$ 2.32

During 1995, the company also acquired the following other businesses (the "other 1995 acquisitions").

On December 2, 1994, the company acquired The All American Gourmet Company for a purchase price of approximately $200 million. The All American Gourmet Company produces The Budget Gourmet brand of frozen meals and side dishes and was formerly a part of Kraft General Foods, Inc.

On September 30, 1994, the company acquired the Family Products Division of Glaxo India, Ltd. for a purchase price of approximately $65 million. The Family Products Division, based in Bombay, India, produces a wide range of nutritional drinks, baby food and other consumer products.

On July 22, 1994, the company acquired the Farley's infant foods and adult nutrition business from The Boots Company PLC of Nottingham, England for a total purchase price of approximately $140 million. Farley's product offerings include a wide range of infant feeding products, from formulas to post-weaning biscuits, cereals and dry meals.

On May 16, 1994, the company acquired the Borden Foodservice Group, a unit of Borden, Inc. The group's product range includes a single-serve line of condiments. Other acquisitions during 1995 included Dega, a foodservice products company located in Italy.

The other 1995 acquisitions (excluding the Pet Food Business) resulted in goodwill of $165.4 million and other intangible assets of $167.9 million, which will be amortized on a straight-line basis over periods not exceeding 40 years.

On an unaudited pro forma basis, the sales of the company, as if the acquisition of the Pet Food Business and the other 1995 acquisitions were made as of the beginning of 1995 and 1994, are $8.7 billion and $8.2 billion, respectively. The results of operations would not be materially different from those reported.

Pro forma results are not necessarily indicative of what actually would have occurred if the acquisitions had been in effect for the entire periods presented. In addition, they are not intended to be a projection of future results and do not reflect any synergies that might be achieved from combined operations.

The company has established opening balance sheet accruals for the other 1995 acquisitions for employee severance and relocation costs ($9 million) and facilities consolidation and closure costs (exit costs of $37 million) based upon a preliminary assessment of such actions to be undertaken. These amounts are included in "other accrued liabilities" on the May 3, 1995 Consolidated Balance Sheet.

In 1994, the company purchased the Moore's and Domani product lines from The Clorox Company of Oakland, California for approximately $90 million. The acquisition resulted in goodwill of approximately $53 million, which is being amortized over a period of 40 years. The Moore's product range includes coated frozen foods, specifically onion rings, cheeses and vegetables. Domani offers frozen pasta, including manicotti, shells, tortellini, ravioli and lasagna. The acquired product lines strengthen the company's presence in the foodservice industry.

In 1993, the company purchased Wattie's Limited of Auckland, New Zealand from Goodman Fielder Wattie Limited of Sydney, Australia for approximately $300 million. The acquisition resulted in goodwill of approximately $115 million and other intangible assets of approximately $35 million. These items are being amortized over periods not exceeding 40 years.

Pro forma results of the company, assuming these 1994 and 1993 acquisitions had been made at the beginning of each period presented, would not be materially different from the results reported.

3. Divestitures

On August 20, 1993, the company sold its Near East specialty rice business to Golden Grain Company, a subsidiary of The Quaker Oats Company, for approximately $80 million. The sale included trademarks, inventory and fixed assets, including Near East's Leominster, Massachusetts plant. On September 15, 1993, the company sold its confectionery business of Heinz Italia S.p.A. to Hershey Foods Corporation for approximately $133 million. The divestiture included brand names, inventory and fixed assets. The pretax gains on these divestitures totaled $127.0 million, or $0.24 per share.

During 1995 and 1994, the company also sold several small businesses which did not have a material impact on the results of operations. Pro forma results of the company, assuming all of the 1995 and 1994 divestitures had been made at the beginning of each period presented, would not be materially different from the results reported.

4. Restructuring Charges

In 1993, restructuring charges of $192.3 million on a pretax basis ($0.45 per share) were reflected in operating income. The major components of the restructuring plan related to employee severance and relocation costs ($99.0 million) and facilities consolidation and closure costs ($73.0 million). At the time these charges were recorded, it was anticipated that the company would reduce headcount by 3,000. As of May 3, 1995, headcount has been reduced by more than 2,700.

5. Income Taxes

The following table summarizes the provision for U.S. federal and U.S. possessions, state and foreign taxes on income.

(Dollars in thousands)	*1995*	*1994*	*1993*
Current:			
U.S. federal and U.S. possessions	$114,819	$ 65,242	$119,746
State	19,106	22,093	28,153
Foreign	78,753	125,304	113,202
	212,678	212,639	261,101
Deferred:			
U.S. federal and U.S. possessions	47,676	88,989	(25,129)
State	6,897	(2,635)	(581)
Foreign	79,731	20,449	(49,553)
	134,304	106,803	(75,263)
Total tax provision	$346,982	$319,442	$185,838

The tax benefit resulting from adjustments to the beginning-of-the-year valuation allowance, due to a change in circumstances, to recognize the realizability of deferred tax assets in future years totaled $3.1 million in 1995, $57.3 million in 1994, and $41.8 million in 1993. The 1993 tax provision also benefited from an adjustment of deferred taxes for an enacted foreign statutory rate change ($19.8 million) and an increase in deferred tax assets for foreign tax credit carryforwards ($40.0 million). In 1994, changes in U.S. tax law that increased the U.S. federal statutory tax rate from 34.0% to 35.0% and provided for the deductibility of certain purchased intangibles and the change in the Australian tax rate did not have a material effect on the company's results of operations. Tax expense resulting from allocating certain tax benefits directly to additional capital totaled $32.3 million in 1993.

The components of income before income taxes and cumulative effect of accounting change consist of the following:

(Dollars in thousands)	*1995*	*1994*	*1993*
Domestic	$495,159	$418,395	$359,773
Foreign	442,848	503,991	356,008
	$938,007	$922,386	$715,781

The differences between the U.S. federal statutory tax rate and the company's consolidated effective tax rate are as follows:

	1995	1994	1993
U.S. federal statutory tax rate	35.0%	35.0%	34.0%
Tax on income of foreign subsidiaries	0.9	2.9	3.1
State income taxes (net of federal benefit)	2.1	1.4	2.5
Net adjustment to valuation allowance	2.2	(6.1)	(7.7)
Enacted tax law changes	–	(0.1)	(2.8)
Tax credits	(2.7)	–	(5.9)
Other	(0.5)	1.5	2.8
Effective tax rate	37.0%	34.6%	26.0%

The deferred tax (assets) and deferred tax liabilities recorded on the balance sheets as of May 3, 1995 and April 27, 1994 are as follows:

(Dollars in thousands)	1995	1994
Depreciation/amortization	$ 355,874	$ 295,248
Benefit plans	55,877	58,498
Other	117,249	99,729
	529,000	453,475
Asset revaluations	(35,125)	(92,802)
Provision for estimated expenses	(55,921)	(30,259)
Operating loss carryforwards	(35,079)	(32,234)
Benefit plans	(101,042)	(100,363)
Tax credit carryforwards	(51,207)	(25,907)
Other	(113,869)	(122,647)
	(392,243)	(404,212)
Valuation allowance	49,487	28,888
Net deferred tax liabilities	$ 186,244	$ 78,151

Net operating loss carryforwards total $90.7 million in 1995. Of that amount, $38.1 million expire between 1996 and 2002; the other $52.6 million do not expire. Foreign tax credit carryforwards total $51.2 million and expire through 2000.

The company's consolidated United States income tax returns have been audited by the Internal Revenue Service for all years through 1989.

Undistributed earnings of foreign subsidiaries considered to be reinvested permanently amounted to $1.24 billion at May 3, 1995.

The net change in the valuation allowance for deferred tax assets was an increase of $20.6 million.

In June 1991, Heinz's Italian affiliate, PLADA, elected to revalue for tax purposes certain assets as a result of legislation enacted by the Italian Parliament. The revaluation required payment of $77.0 million over two years for approximately $180 million in future tax benefits. One installment payment was made in 1992 for $44.7 million. The remaining payment was made in the second quarter of 1993 for $32.3 million.

6. Debt

Short-Term (Dollars in thousands)	1995	1994
Commercial paper	$ 662,802	$ 257,202
Bank and other borrowings	355,552	159,170
	$1,018,354	$ 416,372

Long-Term (Dollars in thousands)	Range of Interest	Maturity (Fiscal Year)	1995	1994
United States Dollars:				
Commercial paper	Variable	2000	$ 800,000	$ 750,000
Senior unsecured notes	5.50–6.88%	1998–2003	749,386	749,238
Eurodollar bonds	7.50–8.00	1997–2000	629,834	75,000
Revenue bonds	5.63–11.75	1996–2003	10,814	12,383
Promissory notes	7.00–12.00	1996–2005	27,579	30,279
Other	8.10	1996–2002	7,527	5,360
			2,225,140	1,622,260
Foreign Currencies (U.S. Dollar Equivalents):				
Promissory notes:				
Pounds sterling	8.85%	1996–2000	65,781	71,490
Italian lire	4.90–17.20	1996–2003	27,673	19,067
Spanish pesetas	4.75	1996–1999	1,825	7,253
Other	12.40–18.40	1996–2005	62,303	30,261
			157,582	128,071
Total long-term debt			2,382,722	1,750,331
Less portion due within one year			55,937	23,329
			$2,326,785	$1,727,002

The amount of long-term debt that matures in each of the four years succeeding 1996 is: $106.7 million in 1997, $579.5 million in 1998, $26.6 million in 1999 and $1.4 billion in 2000.

The company currently maintains two domestic commercial paper programs which are supported by line of credit agreements. Total availability under the domestic programs at May 3, 1995 was $2.3 billion. Total domestic commercial paper had a weighted average interest rate during the year of 5.3% and at year-end of 6.1%.

On March 14, 1995, the company issued $700.0 million of privately placed commercial paper, the proceeds of which were used to fund the acquisition of the Pet Food Business. This commercial paper program is supported by a separate line of credit agreement which expires in September 1995.

On September 6, 1994, the company replaced its fiscal year 1994 line of credit agreements supporting domestic commercial paper. The new line of credit agreements total $1.6 billion, of which $800.0 million expires on September 5, 1995, at which time it is anticipated that a new one-year facility will be established. The remaining $800.0 million expires in September 1999. As a result, $800.0 million of domestic commercial paper is classified as long-term debt as of May 3, 1995. The 1994 domestic line of credit agreements of $1.5 billion were terminated.

The company also maintains a commercial paper program in Canada. Outstanding Canadian

commercial paper, which is classified as short-term debt, was $45.1 million as of May 3, 1995. The weighted average interest rate for Canadian commercial paper during 1995 was 6.6%, and at year-end, was 8.2%. In addition, the company had $565.2 million of other foreign and other domestic lines of credit available at year-end, principally for overdraft protection.

Total short-term debt had a weighted average interest rate during 1995 of 6.1% and at year-end of 6.7%. The weighted average interest rate on short-term debt during 1994 was 4.3% and at year-end was 5.2%.

On January 5, 1995, the company issued $300.0 million of three-year 8.0% notes in the international capital markets. The proceeds from the notes have been utilized to repay domestic commercial paper. The company entered into an interest rate swap agreement that effectively converted the fixed interest rate associated with the notes to a variable rate based on LIBOR. Due to favorable market conditions, the company terminated the interest rate swap agreement and is amortizing the resulting gain over the remaining life of the notes, producing an effective borrowing rate of 7.3%.

On April 26, 1995, the company issued $250.0 million of five-year 7.5% notes in the international capital markets. The proceeds from these notes have been used to repay a portion of the privately placed commercial paper borrowings incurred in connection with the acquisition of the Pet Food Business.

During 1993, the company issued senior unsecured notes in three separate issuances totaling approximately $750 million. These notes were issued at interest rates ranging from 5.5% to 6.875% and with maturity dates extending from 1998 through 2003.

In 1993, the company's United Kingdom affiliate privately placed with various banks £125.0 million ($197.0 million) aggregate principal of 8.85% notes due during 2013. In April 1993, an affiliated company paid £70.6 million ($111.3 million) for an interest in the notes. The notes are shown in the balance sheet as a net amount outstanding of £40.9 million ($65.8 million), which will be fully amortized in five years. The effective interest rate was 8.3% at May 3, 1995 and April 27, 1994.

7. Shareholders' Equity

Capital Stock: The preferred stock outstanding is convertible at a rate of one share of preferred stock into 9.0 shares of common stock. The company can redeem the stock at $28.50 per share.

On May 3, 1995, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

Employee Stock Ownership Plan (ESOP): The company established an ESOP in 1990 to replace in full or in part the company's cash-matching contributions to the H. J. Heinz Company Employees Retirement and Savings Plan, a 401(k) plan for salaried employees. Matching contributions to the 401(k) plan are based on a percentage of the participant's contributions, subject to certain limitations.

To finance the plan, the ESOP borrowed $50.0 million directly from the company in 1990. The loan is in the form of a 15-year variable-rate interest-bearing note (an average of 5.6%, 4.2% and 4.1% for 1995, 1994 and 1993, respectively) and is included in the company's Consolidated Balance Sheets as unearned compensation. The proceeds of the note were used to purchase 1,577,908 shares of treasury stock from the company at approximately $31.70 per share.

The stock held by the ESOP is released for allocation to the participants' accounts over the term of the loan as company contributions to the ESOP are made. The company contributions are reported as

compensation and interest expense. Compensation expense related to the ESOP for 1995, 1994 and 1993 was $3.7 million, $3.3 million and $2.7 million, respectively. Interest expense was $1.9 million, $1.7 million and $1.7 million for 1995, 1994 and 1993, respectively. The company's contributions to the ESOP and the dividends on the company stock held by the ESOP are used to repay loan interest and principal.

The dividends on the company stock held by the ESOP were $2.5 million, $1.9 million and $1.7 million in 1995, 1994 and 1993, respectively.

The ESOP shares outstanding at May 3, 1995 were as follows: unallocated 778,321, committed-to-be-released 44,846 and allocated 571,313. Shares held by the ESOP are considered outstanding for purposes of calculating the company's net income per share.

Cumulative Translation Adjustments: Changes in the cumulative translation component of shareholders' equity result principally from translation of financial statements of foreign subsidiaries into U.S. dollars. The reduction in shareholders' equity related to the translation component decreased $107.0 million in 1995, increased $70.7 million in 1994 and increased $107.6 million in 1993.

	Cumulative Preferred Stock	*Common Stock*				
	Third, $1.70 First Series $10 Par	*Issued*		*In Treasury*		*Additional Capital*
(Amounts in thousands)	*Amount*	*Amount*	*Shares*	*Amount*	*Shares*	*Amount*
Balance April 29, 1992	$480	$71,850	287,401	$ 999,845	33,344	$165,112
Reacquired	–	–	–	148,511	3,885	–
Conversion of preferred into common stock	(42)	–	–	(946)	(38)	(904)
Stock options exercised, net of shares tendered for payment	–	–	–	(99,078)	(4,093)	5,112
Other, net	–	–	–	(1,427)	(62)	988
Balance April 28, 1993	$438	$71,850	287,401	$1,046,905	33,036	$170,308
Reacquired	–	–	–	222,582	6,475	–
Conversion of preferred into common stock	(40)	–	–	(985)	(36)	(945)
Stock options exercised	–	–	–	(27,605)	(1,054)	267
Other, net	–	–	–	(1,720)	(61)	549
Balance April 27, 1994	$398	$71,850	287,401	$1,239,177	38,360	$170,179
Reacquired	–	–	–	273,671	7,637	–
Conversion of preferred into common stock	(40)	–	–	(976)	(36)	(937)
Stock options exercised, net of shares tendered for payment	–	–	–	(53,305)	(2,023)	(12,264)
Other, net	–	–	–	(7,843)	(213)	237
Balance May 3, 1995	$358	$71,850	287,401	$1,450,724	43,725	$157,215
Authorized Shares—May 3, 1995	36		600,000			

8. Supplemental Cash Flows Information

(Dollars in thousands)	*1995*	*1994*	*1993*
Cash Paid During The Year For:			
Interest	$ 210,610	$146,951	$134,179
Income taxes	251,358	153,000	347,701
Details of Acquisitions:			
Fair value of assets	$1,359,028	$102,382	$478,240
Liabilities	179,942	6,697	106,893*
Cash paid	1,179,086	95,685	371,347
Less cash acquired	267	–	1,158
Net cash paid for acquisitions	$1,178,819	$ 95,685	$370,189

Includes notes to seller.

9. Employees' Stock Option Plans and Management Incentive Plans

Under the company's stock option plans, officers and other key employees may be granted options to purchase shares of the company's common stock. The option price on all outstanding options is equal to the fair market value of the stock at the date of grant.

The Board of Directors adopted and the shareholders approved, effective April 13, 1994, a new stock option plan providing for the grant of up to 12.0 million shares of common stock at any time over the next ten years. As of May 3, 1995, options for approximately 8.4 million shares had been granted under this plan. In general, the terms of this plan are similar to the company's other stock option plans.

The shares authorized but not granted under the company's stock option plans were 3,639,890 at May 3, 1995 and 5,717,590 at April 27, 1994.

Data regarding the company's stock option plans follows:

	Shares	*Range of Option Price*
Shares under option April 29, 1992	21,800,217	$ 6⅝–40½
Options granted	2,482,500	35⅝–43¼
Options exercised	(4,109,275)	6⅝–37¾
Options surrendered	(49,000)	22–38⅝
Shares under option April 28, 1993	20,124,442	$ 8⅝–43¼
Options granted	9,467,500	30⅝–39¾
Options exercised	(1,054,230)	9½–37¾
Options surrendered	(473,500)	34½–43¼
Shares under option April 27, 1994	28,064,212	$ 8⅝–43¼
Options granted	2,378,700	32⅝–41⅞
Options exercised	(2,025,958)	8⅝–38⅝
Options surrendered	(303,000)	32⅝–43¼
Shares under option May 3, 1995	28,113,954	$13⅝–43¼
Options exercisable at:		
April 27, 1994	8,307,710	
May 3, 1995	11,836,254	

Common stock reserved for options totaled 31,753,844 shares as of May 3, 1995 and 33,781,802 shares as of April 27, 1994.

The company's management incentive plan covers officers and other key employees. Participants may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Compensation under the management incentive plans was approximately $24 million in 1995, $12 million in 1994 and $17 million in 1993.

10. Retirement Plans

The company maintains retirement plans for the majority of its employees. Benefits are based on years of service and compensation or stated amounts for each year of service. Plan assets are primarily invested in equities and fixed income securities. The company's funding policy for domestic defined benefit plans is to contribute annually not less than the ERISA minimum funding standards nor more than the maximum amount which can be deducted for federal income tax purposes. Generally, foreign defined benefit plans are funded in amounts sufficient to comply with local regulations and ensure adequate funds to pay benefits to retirees as they become due.

Effective in 1993, the company discontinued future benefit accruals under the defined benefit plans for domestic non-union hourly and salaried employees and expanded its defined contribution plans for these same employees.

The company maintains defined contribution plans for the majority of its domestic non-union hourly and salaried employees. Defined contribution benefits are provided through company contributions that are a percentage of the participant's pay based on age, with the contribution rate increasing with age, and matching contributions based on a percentage of the participant's contributions to the 401(k) portion of the plan. (The company's matching contributions for salaried employees are provided under the ESOP. See Note 7 to the Consolidated Financial Statements.) In addition, certain non-union hourly employees receive supplemental contributions, which are paid at the discretion of the company.

Total pension cost consisted of the following:

(Dollars in thousands)	*1995*	*1994*	*1993*
Defined Benefit Plans:			
Benefits earned during the year	$ 14,648	$ 15,215	$ 20,384
Interest cost on projected benefit obligation	66,734	66,706	65,612
Actual return on plan assets	(26,254)	(98,673)	(98,358)
Net amortization and deferral	(56,285)	25,028	21,292
	(1,157)	8,276	8,930
Defined contribution plans (excluding the ESOP)	17,222	16,493	4,514
Total pension cost	$ 16,065	$ 24,769	$ 13,444

The following table sets forth the combined funded status of the company's principal defined benefit plans at May 3, 1995 and April 27, 1994.

(Dollars in thousands)	*1995*	*1994*
Actuarial present value of:		
Accumulated benefit obligation, primarily vested	$859,340	$775,986
Additional obligation for projected compensation increases	48,753	43,074
Projected benefit obligation	908,093	819,060
Plan assets, at fair value	969,139	933,257
Plan assets in excess of projected benefit obligation	61,046	114,197
Unamortized prior service cost	77,853	60,238
Unamortized actuarial losses, net	89,753	22,910
Unamortized net assets at date of adoption	(31,423)	(36,885)
Prepaid pension costs	$197,229	$160,460

The weighted average rates used for the years ended May 3, 1995, April 27, 1994 and April 28, 1993 in determining the net pension costs and projected benefit obligations for defined benefit plans were as follows:

	1995	*1994*	*1993*
Expected rate of return on plan assets	10.0%	10.0%	10.1%
Discount rate	8.7%	8.3%	8.6%
Compensation increase rate	5.2%	4.8%	6.2%

Assumptions for foreign defined benefit plans are developed on a basis consistent with those for U.S. plans, adjusted for prevailing economic conditions.

11. Postretirement Benefits Other Than Pensions and Other Postemployment Benefits

The company and certain of its subsidiaries provide health care and life insurance benefits for retired employees and their eligible dependents. Certain of the company's U.S. and Canadian employees may become eligible for such benefits. In general, postretirement medical coverage is provided for eligible non-union hourly and salaried employees with at least 10 years of service rendered after the age of 45 and certain eligible union employees who retire with an immediate pension benefit. The company currently does not fund these benefit arrangements and may modify plan provisions or terminate plans at its discretion.

Effective January 1, 1994, certain changes were made to postretirement medical benefits offered to U.S. salaried and non-union hourly employees who retire after May 1, 1994. Those retirees are required to share in the cost of providing these benefits at percentages increasing from 20% in 1994 to 100% in 1998. The resulting curtailment gain was immaterial.

In 1993, the company adopted FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." FAS No. 106 requires that the accrual method of accounting for postretirement benefits other than pensions be used and the accrual period be based on the period that the employees

render the services necessary to earn their postretirement benefits. Effective April 30, 1992, the company elected to recognize immediately the accumulated postretirement benefit obligation for active and retired employees, resulting in an after-tax cumulative charge of $133.6 million (net of income tax benefit of $85.4 million), or $0.51 per share. In addition, the adoption of FAS No. 106 increased the company's pretax postretirement benefit expense by $16.3 million ($0.04 per share) in 1993. These charges had no effect on consolidated cash flows.

Net postretirement costs consisted of the following:

(Dollars in thousands)	*1995*	*1994*	*1993*
Postretirement benefits earned during the year	$ 2,700	$ 6,512	$ 8,462
Interest cost on accumulated postretirement benefit obligation	13,249	15,740	16,457
Net amortization and deferral	(5,165)	(2,986)	(885)
Net postretirement benefit costs	$10,784	$19,266	$24,034

The following table sets forth the combined status of the company's postretirement benefit plans at May 3, 1995 and April 27, 1994.

(Dollars in thousands)	*1995*	*1994*
Accumulated postretirement benefit obligation:		
Retirees and spouses	$121,380	$110,892
Employees currently eligible to retire	17,614	20,939
Employees not yet eligible to retire	36,763	49,922
Total accumulated postretirement benefit obligation	175,757	181,753
Unamortized prior service cost	38,510	34,633
Unrecognized net gain	15,406	9,658
Accrued postretirement benefit obligation	229,673	226,044
Current portion, included in other accrued liabilities	9,000	9,000
Non-pension postretirement benefits	$220,673	$217,044

The weighted average discount rate used in the calculation of the accumulated postretirement benefit obligation and the net postretirement benefit cost was 8.4% in 1995 and 8.0% in 1994. The assumed annual composite rate of increase in the per capita cost of company-provided health care benefits begins at 10.1% for 1996, gradually decreases to 5.8% by 2007, and remains at that level thereafter. A 1% increase in these health care cost trend rates would cause the accumulated postretirement obligation to increase by $18.8 million, and the aggregate of the service and interest components of 1995 net postretirement benefit costs to increase by $2.3 million.

In 1995, the company adopted FAS No. 112, "Employers' Accounting for Postemployment Benefits." This statement requires recognition of benefits provided by an employer to former or inactive employees after employment but before retirement. The impact of the adoption of this standard did not have a material impact on the company's financial position or results of operations.

12. Financial Instruments

Interest Rate Swap Agreements: As of May 3, 1995, the notional values and unrealized gains or losses related to such agreements held by the company were not material.

Foreign Currency Contracts: As of May 3, 1995, the company held currency swap contracts with an aggregate notional amount of approximately $102 million. These contracts have maturity dates extending from 1996 through 2002. The company also had separate contracts to purchase certain foreign currencies totaling $258.9 million and to sell certain foreign currencies totaling $69.6 million, most of which mature during Fiscal 1996. Net unrealized gains and losses associated with the company's foreign currency contracts as of May 3, 1995 were not material.

Commodity Contracts: As of May 3, 1995, the notional values and unrealized gains or losses related to commodity contracts held by the company were not material.

Fair Value of Financial Instruments: The company's significant financial instruments include cash and cash equivalents, short- and long-term investments, short- and long-term debt, interest rate swap agreements, currency exchange agreements and guarantees.

In evaluating the fair value of significant financial instruments, the company generally uses quoted market prices of the same or similar instruments or calculates an estimated fair value on a discounted basis using the rates available for instruments with the same remaining maturities. As of May 3, 1995 and April 27, 1994, the fair value of financial instruments held by the company approximated the recorded value.

Effective April 28, 1994, the company adopted FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." FAS No. 115 requires that the carrying value of certain investments be adjusted to their fair value. The adoption of FAS No. 115 had no effect on the company's financial position or results of operations. The company's investments are considered to be "available-for-sale" securities and are principally debt securities issued by foreign governments with maturities of less than one year.

Concentrations of Credit Risk: Counterparties to currency exchange and interest rate derivatives consist of large major international financial institutions. The company continually monitors its positions and the credit ratings of the counterparties involved and, by policy, limits the amount of credit exposure to any one party. While the company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers, generally short payment terms, and their dispersion across geographic areas.

13. Quarterly Results (Unaudited)

(Dollars in thousands, except per share data)	1995 First	Second	Third	Fourth	Total
Sales	$1,736,098	$1,975,381	$1,953,855	$2,421,460	$8,086,794
Gross profit	634,648	705,756	721,451	905,342	2,967,197
Net income	154,716	139,592	138,267	158,450	591,025
Per Common Share Amounts:					
Net income	$0.62	$0.56	$0.56	$0.64	$2.38
Dividends	0.33	0.36	0.36	0.36	1.41

(Dollars in thousands, except per share data)	1994 First	Second	Third	Fourth	Total
Sales	$1,583,512	$1,807,729	$1,710,209	$1,945,488	$7,046,738
Gross profit	619,974	649,007	671,146	724,866	2,664,993
Net income	152,179	193,125	128,567	129,073	602,944
Per Common Share Amounts:					
Net income	$0.59	$0.75	$0.50	$0.51	$2.35
Dividends	0.30	0.33	0.33	0.33	1.29

Fourth-quarter 1995 results contain an additional week of activity due to a 53-week fiscal year.

Second-quarter 1994 results include gains on the sale of the confectionery and specialty rice businesses that totaled $127.0 million on a pretax basis ($0.24 per share). (See Note 3 to the Consolidated Financial Statements.)

Fourth-quarter 1994 earnings benefited from a lower effective tax rate resulting from tax benefits from overseas operations of $57.3 million ($0.22 per share). (See Note 5 to the Consolidated Financial Statements.)

14. Commitments and Contingencies

Legal Matters: On December 31, 1992, a food wholesale distributor filed suit against the company and its principal competitors in the U.S. baby food industry. Subsequent to that date, several similar lawsuits were filed in the same court and have been consolidated into a class action suit. The complaints, each of which seeks an injunction and unspecified treble money damages, allege a conspiracy to fix, maintain and stabilize the prices of baby food. Related suits have also been filed in Alabama and California state courts, seeking to represent a class of indirect purchasers of baby food in the respective states. The company believes all of the suits are without merit and will defend itself vigorously against them. Certain other claims have been filed against the company or its subsidiaries and have not been finally adjudicated. The above-mentioned suits and claims, when finally concluded and determined, in the opinion of management, based upon the information that it presently possesses, will not have a material adverse effect on the company's consolidated financial position or results of operations.

Lease Commitments: Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately $89.5 million in 1995, $94.0 million in 1994 and $89.7 million in 1993. Future lease payments for non-cancellable operating leases as of May 3, 1995 totaled $218.7 million (1996–$50.3 million, 1997–$39.4 million, 1998–$30.5 million, 1999–$20.8 million, 2000–$15.6 million and thereafter–$62.1 million).

Responsibility for Financial Statements

Management of H.J. Heinz Company is responsible for the preparation of the financial statements and other information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles, incorporating management's best estimates and judgments, where applicable.

Management believes that the company's internal control systems provide reasonable assurance that assets are safeguarded, transactions are recorded and reported appropriately, and policies are followed. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the expected benefits. Management believes that its systems provide this appropriate balance. An important element of the company's control systems is the ongoing program to promote control consciousness throughout the organization. Management's commitment to this program is emphasized through written policies and procedures (including a code of conduct), an effective internal audit function and a qualified financial staff.

The company engages independent public accountants who are responsible for performing an independent audit of the financial statements. Their report, which appears herein, is based on obtaining an understanding of the company's accounting systems and procedures and testing them as they deem necessary.

The company's Audit Committee is composed entirely of outside directors. The Audit Committee meets regularly, and when appropriate separately, with the independent public accountants, the internal auditors and financial management to review the work of each and to satisfy itself that each is discharging its responsibilities properly. Both the independent public accountants and the internal auditors have unrestricted access to the Audit Committee.

Independent Accountants' Report

The Shareholders
H.J. Heinz Company:

We have audited the accompanying Consolidated Balance Sheets of H.J. Heinz Company and Subsidiaries as of May 3, 1995 and April 27, 1994, and the related Consolidated Statements of Income, Retained Earnings and Cash Flows for each of the three years in the period ended May 3, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of H.J. Heinz Company and Subsidiaries as of May 3, 1995 and April 27, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 3, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 11 to the Consolidated Financial Statements, the company adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in Fiscal 1993.

Coopers & Lybrand L.L.P.

600 Grant Street
Pittsburgh, Pennsylvania
June 19, 1995

Directors

Anthony J. F. O'Reilly
Chairman, President and
Chief Executive Officer.
Director since 1971. (1,3,5,6)

Joseph J. Bogdanovich
Vice Chairman.
Director since 1963. (1,5,6)

Nicholas F. Brady
Chairman and President, Darby Advisors, Inc. and Chairman, Darby Overseas Investments, Ltd., Easton, Maryland.
Director from 1987 through September 1988.
Reelected 1995. (3,4)

Richard M. Cyert
President Emeritus and Professor of Economics and Management, Carnegie Mellon University, Pittsburgh, Pennsylvania.
Director since 1984. (2,3,4,6)

Thomas S. Foley
Former Speaker of the U.S. House of Representatives and Partner, Akin, Gump, Strauss, Hauer & Feld, L.L.P. law firm, Washington, D.C.
Director since July 1995.

Edith E. Holiday
Attorney and Director, Various Corporations.
Director since 1994. (4,6)

Samuel C. Johnson
Nonexecutive Chairman, S. C. Johnson & Son, Inc., Racine, Wisconsin.
Director since 1988. (2,4)

William R. Johnson
Senior Vice President.
Director since 1993. (1)

Donald R. Keough
Advisor to the Board, The Coca-Cola Company, Atlanta, Georgia and Chairman of the Board, Allen & Company Incorporated, New York, New York.
Director since 1990. (2,3)

Albert Lippert
Consultant.
Director since 1978. (3,4,6)

Lawrence J. McCabe
Senior Vice President–General Counsel.
Director since 1991. (1)

Luigi Ribolla
Senior Vice President–Europe.
Director since 1992. (1)

Herman J. Schmidt
Director, Various Corporations.
Director since 1977. (2,3,4,6)

David W. Sculley
Senior Vice President.
Director since 1989. (1,5)

Eleanor B. Sheldon
Social Scientist.
Director since 1979. (2,4,6)

William P. Snyder III
President, The Wilpen Group, Inc., Pittsburgh, Pennsylvania.
Director since 1961. (2,3,4)

William C. Springer
Senior Vice President.
Director since 1993. (1)

S. Donald Wiley
Vice Chairman, H. J. Heinz Company Foundation.
Director from 1972 through September 1990.
Reelected 1991. (6)

David R. Williams
Senior Vice President–Finance and Chief Financial Officer.
Director since 1992. (1,5)

Committees of the Board

(1) Executive Committee
(2) Management Development and Compensation Committee
(3) Nominating Committee
(4) Audit Committee
(5) Investment Committee
(6) Public Issues Committee

Officers

Anthony J. F. O'Reilly
Chairman, President and Chief Executive Officer

Joseph J. Bogdanovich
Vice Chairman

Brian E. Falck
Vice President–Infant Feeding

George C. Greer
Vice President–Organization Development and Administration

William R. Johnson
Senior Vice President

Lawrence J. McCabe
Senior Vice President–General Counsel

Tracy E. Quinn
Corporate Controller

Paul F. Renne
Vice President–Treasurer

Luigi Ribolla
Senior Vice President–Europe

David W. Sculley
Senior Vice President

D. Edward I. Smyth
Vice President–Corporate Affairs

William C. Springer
Senior Vice President

Benjamin E. Thomas, Jr.
Corporate Secretary and Associate General Counsel

David R. Williams
Senior Vice President–Finance and Chief Financial Officer

(Dollars in thousands, except per share data)	*1995*	*1994*	*1993*	*1992*
SUMMARY OF OPERATIONS:				
Sales	$8,086,794	$7,046,738	$7,103,374	$6,581,867
Cost of products sold	5,119,597	4,381,745	4,530,563	4,102,816
Interest expense	210,585	149,243	146,491	134,948
Provision for income taxes	346,982	319,442	185,838	346,050
Income before cumulative effect of accounting change	591,025	602,944	529,943	638,295
Cumulative effect of FAS No. 106 adoption	–	–	(133,630)	–
Net income	591,025	602,944	396,313	638,295
Income per common share before cumulative effect of accounting change	2.38	2.35	2.04	2.40
Cumulative effect of FAS No. 106 adoption	–	–	(0.51)	–
Net income per common share	2.38	2.35	1.53	2.40
OTHER RELATED DATA:				
Dividends paid:				
Common	345,358	325,887	297,009	270,512
per share	1.41	1.29	1.17	1.05
Preferred	64	71	78	86
Average common shares outstanding	248,537,537	256,812,016	259,788,461	266,339,122
Number of employees	42,200	35,700	37,700	35,500
Capital expenditures	341,788	275,052	430,713	331,143
Depreciation and amortization	315,267	259,809	234,935	211,786
Total assets	8,247,188	6,381,146	6,821,321	5,931,901
Total debt	3,401,076	2,166,703	2,613,736	1,902,483
Shareholders' equity	2,472,869	2,338,551	2,320,996	2,367,398
Pretax return on average invested capital (%)	22.1	22.7	18.7	28.8
Return on average shareholders' equity before cumulative effect of accounting change (%)	24.6	25.9	22.0	27.5
Book value per common share	10.14	9.39	9.12	9.31
Price range of common stock:				
High	43	39⅞	45½	48⅜
Low	31⅝	30¾	35¼	35⅛

The 1994 results include pretax gains of $127.0 million relating to the divestiture of the confectionery and specialty rice businesses. The 1993 results include a pretax restructuring charge of $192.3 million. The 1992 results include a pretax gain of $221.5 million for the sale of The Hubinger Company, a pretax restructuring charge of $88.3 million and a pretax pension curtailment gain of $38.8 million.

1991	1990	1989	1988	1987	1986	1985
$6,647,118	$6,085,687	$5,800,877	$5,244,230	$4,639,486	$4,366,177	$4,047,945
4,063,423	3,726,613	3,550,249	3,212,580	2,858,096	2,697,264	2,532,776
137,592	108,542	77,694	73,995	50,978	57,956	52,821
335,014	306,979	284,661	236,559	226,070	197,594	179,325
567,999	504,451	440,230	386,014	338,506	301,734	265,978
–	–	–	–	–	–	–
567,999	504,451	440,230	386,014	338,506	301,734	265,978
2.13	1.90	1.67	1.45	1.24	1.10	0.96
–	–	–	–	–	–	–
2.13	1.90	1.67	1.45	1.24	1.10	0.96
239,212	207,387	178,340	154,418	132,278	117,351	105,489
0.93	0.81	0.69½	0.60½	0.50¼	0.43¾	0.38¾
91	113	134	155	177	227	291
266,628,617	266,078,096	263,568,068	265,411,890	273,669,332	274,631,402	275,357,760
34,100	37,300	36,200	39,000	37,500	36,400	37,100
345,334	355,317	323,325	238,265	184,730	206,331	158,830
196,138	168,523	148,104	133,348	109,868	91,400	84,721
4,935,382	4,487,451	4,001,807	3,605,083	3,364,197	2,837,364	2,473,774
1,226,694	1,256,607	962,321	780,330	876,620	540,588	463,413
2,274,863	1,886,899	1,777,238	1,593,856	1,392,949	1,360,007	1,230,454
31.3	31.3	31.4	30.0	29.5	31.0	30.5
27.3	27.5	26.1	25.8	24.6	23.3	22.6
8.76	7.44	6.91	6.24	5.40	5.08	4.49
41⅛	35⅞	25⅝	25⅞	25¼	22	12¼
29⅜	24⅞	19¼	16¾	19⅛	11⅜	8⅛

World Headquarters

600 Grant Street, Pittsburgh, Pennsylvania.

The Americas

Heinz U.S.A. Established 1869. Pittsburgh, Pennsylvania. *William C. Springer*, Senior Vice President and President and Chief Executive Officer–Heinz North America. *Factories:* Chatsworth, California; Dallas, Texas; Escalon, California; Fremont, Ohio; Holland, Michigan; King of Prussia, Pennsylvania; Mason, Ohio; Muscatine, Iowa; Pittsburgh, Pennsylvania; Stockton, California; Tracy, California.

Ore-Ida Foods, Inc. Acquired 1965. Boise, Idaho. *Richard H. Wamhoff*, President and Chief Executive Officer. *Factories:* Bloomsburg, Pennsylvania; Burley, Idaho; Clarksville, Arkansas; Fort Atkinson, Wisconsin; Ft. Myers, Florida; Grand Island, Nebraska; Ontario, Oregon; Plover, Wisconsin; Rice Lake, Wisconsin; Torrance, California; West Chester, Pennsylvania.

Star-Kist Foods, Inc. Acquired 1963. Newport, Kentucky. *Joseph J. Bogdanovich*, Chairman. *William R. Johnson*, Senior Vice President and President and Chief Executive Officer–Star-Kist Foods, Inc. *Factories and Collection Stations:* Abidjan, Ivory Coast; Biloxi, Mississippi; Bloomsburg, Pennsylvania; El Paso, Texas; Guayaquil, Ecuador; Kankakee, Illinois; Lawrence, Kansas; LePort, Reunion Island; Perham, Minnesota; Port Louis, Mauritius; Terminal Island, California; Topeka, Kansas; Weirton, West Virginia. *Liaison Offices:* Kaohsiung, Taiwan; Tokyo, Japan.

☐ *Star-Kist Caribe, Inc.* Acquired 1963. Mayaguez, Puerto Rico. *Mark W. Young*, Vice President–Caribbean Operations. *Factory:* Mayaguez.

☐ *Star-Kist Samoa, Inc.* Acquired 1963. Pago Pago, American Samoa. *Barry A. Mills*, Plant General Manager. *Factory:* Pago Pago.

Weight Watchers International, Inc. Acquired 1978. Jericho, New York. *Lelio G. Parducci*, President and Chief Executive Officer. *Operational Headquarters:* Düsseldorf, Germany; Geneva, Switzerland; Helsingborg, Sweden; Helsinki, Finland; Maidenhead, England; Paris, France. *Publishing Group Headquarters:* New York, New York.

☐ *Cardio-Fitness Corporation.* Acquired 1985. New York, New York. *Kent Q. Kreh*, Chief Executive Officer.

☐ *The Fitness Institute.* Acquired 1988. Willowdale, Ontario, Canada. *Kent Q. Kreh*, Chief Executive Officer.

Weight Watchers Food Company. Established 1991. Hamden, Connecticut. *Michael R. McGrath*, President and Chief Executive Officer. *Factories:* Atlanta, Georgia; Clearfield, Utah; Massillon, Ohio; Pocatello, Idaho.

Crestar Food Products, Inc. Acquired 1991. Brentwood, Tennessee. *Donald J. Kerr*, President and Chief Executive Officer. *Factories:* Richfield, Ohio; Washington Courthouse, Ohio.

H.J. Heinz Company of Canada Ltd. Established 1909. North York, Ontario, Canada. *John Crawshaw*, President and Chief Executive Officer. *Factory:* Leamington, Ontario.

☐ *Omstead Foods Limited.* Acquired 1991. Wheatley, Ontario, Canada. *John Crawshaw*, President and Chief Executive Officer. *Factory:* Wheatley, Ontario.

☐ *Shady Maple Farm Ltd.* Acquired 1989. LaGuadeloupe, Quebec, Canada. *John Crawshaw*, President and Chief Executive Officer. *Factory:* LaGuadeloupe, Quebec.

Heinz Bakery Products. Established 1992. Mississauga, Ontario, Canada. *Paul W. Sneddon*, President and Chief Executive Officer. *Factories:* Bakersfield, California; Blackwood, New Jersey; Bridgeport, New Jersey; Buffalo, New York; Lenexa, Kansas; Long Island, New York; Mississauga, Ontario; Sherwood Park, Alberta; St. Hubert, Quebec; Vinita, Oklahoma.

Alimentos Heinz C.A. Established 1959. Caracas, Venezuela. *John M. Werner*, President and Chief Executive Officer. *Factory:* San Joaquin.

Europe and Africa

H.J. Heinz Company, Limited. Established 1905. Hayes, Middlesex, England. *Andrew L. Barrett*, Chairman. *A. G. Malcolm Ritchie*, Managing Director and Chief Executive Officer. *Factories and Farms:* Camberley; Chorley; Deeside, Wales; Harlesden; Horley; Kendal; Kitt Green; Poling; Woking.

Heinz Italia S.p.A. Acquired 1963. Milan, Italy. *Luigi Ribolla*, President. *Claudio Serafini*, Managing Director and Chief Executive Officer.

☐ *PLADA S.p.A. (Plasmon Dietetici Alimentari S.p.A.).* Acquired 1963. Milan, Italy. *Luigi Ribolla*, President. *Claudio Serafini*, Managing Director and Chief Executive Officer. *Factories:* Latina; Milan; Ozzano Taro.

- ☐ *AIAL (Arimpex S.r.l. Industrie Alimentari).* Acquired 1992. Commessaggio, Italy. *Appio Massari*, Managing Director.
- ☐ *Dega S.r.l.* Acquired 1994. Mori, Italy. *Appio Massari*, President.

H.J. Heinz Northern Europe. Established 1995. Brussels, Belgium. *Andrew L. Barrett*, Area Director–Northern Europe.

- ☐ *H.J. Heinz B.V.* Acquired 1958. Elst, Gelderland, Netherlands. *Jan Eenhoorn* and *Anthony F. Hulsewé*, Directors. *Factory:* Elst.
- ☐ *H.J. Heinz Branch Belgium.* Established 1984. Brussels, Belgium. *Jacques Meert*, General Manager–Marketing & Sales.
- ☐ *H.J. Heinz GmbH.* Established 1970. Cologne, Germany. *Jan Eenhoorn*, Director.
- ☐ *H.J. Heinz S.A.R.L.* Established 1979. Paris, France. *Jan Eenhoorn*, Legal Representative.

Star-Kist Europe, Inc. Established 1988. Douarnenez, France. *Nicholas J. Harding*, Managing Director. *Factory:* Tema, Ghana.

- ☐ *Ets. Paul Paulet.* Acquired 1981. Douarnenez, France. *Nicholas J. Harding*, President. *Factory:* Douarnenez.
- ☐ *Marie Elisabeth Produtos Alimentares S.A.* Acquired 1988. Peniche, Portugal. *Pedro S. Macedo*, General Manager. *Factory:* Peniche.

Heinz Iberica, S.A. Established 1987. Madrid, Spain. *Jose A. Arnaldo*, Managing Director. *Factories:* Alfaro; Bermeo; Ejea de los Caballeros.

IDAL (Industrias de Alimentação, Lda.). Acquired 1965. Lisbon, Portugal. *Leonardo A. P. Caeiro*, Managing Director. *Factory:* Benavente.

COPAIS S.A. Acquired 1990. Athens, Greece. *Emmanuel Kaldellis*, Chairman, President and Chief Executive Officer. *Factories:* Aliartos; Orchomenos.

H.J. Heinz Central and Eastern Europe. Established 1994. Hayes, Middlesex, England. *Thomas A. MacMurray*, Area Director–Central and Eastern Europe.

- ☐ *Magyar Foods Limited.* Established 1992. London, England. *Michael J. B. Smither*, Managing Director. *Casaba Lengyel de Bagota*, Regional General Manager. *Factories:* Kecskemet, Hungary.
- ☐ *H.J. Heinz Company C.I.S.* Established 1994. Moscow, Russia. *John Riley*, General Director. *Factory:* Stavropol.
- ☐ *Heinz Polska Sp.* Established 1995. Warsaw, Poland. *Adam Dyszynski*, General Manager.

H.J. Heinz Company (Ireland) Limited. Incorporated 1966. Dublin, Ireland. *John P. H. O'Reilly*, Managing Director.

Custom Foods Limited. Established 1992. Dundalk, Ireland. *John P. H. O'Reilly*, Chief Executive Officer. *Factory:* Dundalk.

H.J. Heinz (Botswana) (Proprietary) Ltd. Formed 1988. Gaborone, Botswana. *Rory W. Beattie*, Managing Director.

- ☐ *Kgalagadi Soap Industries (Pty) Ltd.* Acquired 1988. Gaborone, Botswana. *Rory W. Beattie*, Managing Director. *Factory:* Gaborone.
- ☐ *Refined Oil Products.* Formed 1987. Gaborone, Botswana. *Rory W. Beattie*, Managing Director. *Factory:* Gaborone.

Olivine Industries (Private) Limited. Acquired 1982. Harare, Zimbabwe. *Rory W. Beattie*, Chairman and Managing Director. *Factory:* Harare.

- ☐ *Chegutu Canners (Pvt) Ltd.* Established 1992. Chegutu, Zimbabwe. *Rory W. Beattie*, Chairman. *Factory:* Chegutu.

Cairo Foods Industries SAE. Established 1992. Cairo, Egypt. *Moataz Al Alfi*, Chairman and Chief Executive Officer. *Factory:* Cairo.

The Pacific Rim and Southwest Asia

Heinz-Wattie's Australasia. Established 1994. Auckland, New Zealand. *David A. Irving*, Area Director.

- ☐ *H.J. Heinz Australia Ltd.* Established 1935. Doveton, Victoria, Australia. *Neville J. Fielke*, Managing Director. *K. A. Dynon*, Managing Director–Diversified Businesses. *Factories:* Dandenong; Eden; Girgarre.
- ☐ *Wattie's Limited.* Acquired 1992. Auckland, New Zealand. *David A. Irving*, Managing Director. *Factories:* Auckland; Christchurch; Gisborne; Hastings; New Plymouth; Te Horo.

Heinz Japan Ltd. Established 1961. Tokyo, Japan. *Masahira Ogawa*, President. *Factory:* Utsunomiya.

Heinz-UFE Ltd. Established 1984. Guangzhou, People's Republic of China. *James Chen*, President. *Factory:* Guangzhou.

Seoul-Heinz Ltd. Established 1986. Seoul, South Korea. *John K. Johnson*, President and Representative Director. *Factory:* Inchon.

Heinz Win Chance Ltd. Established 1987. Bangkok, Thailand. *Ming-Der Guan*, President. *Factory:* Bangplee.

Heinz India Private Limited. Acquired 1994. Bombay, India. *Charles M. Berger*, Interim Chairman. *Factory:* Aligarh.

Heinz: A Definition H.J. Heinz Company is a worldwide provider of processed food products and nutritional services. Heinz's varieties now number more than 4,000 and its business extends to loyal consumers in more than 200 countries and territories. The company's two strongest global brands are Heinz and Weight Watchers, which in the United States are joined by powerful names, such as Ore-Ida, The Budget Gourmet, StarKist, 9-Lives, Ken-L Ration and many others. Overseas, Heinz's best-known brands are Orlando, Wattie's, Olivine, Farley's, Plasmon and Guloso. Heinz provides employment for approximately 42,200 people full-time, plus thousands of others on a part-time basis and during seasonal peaks.

Annual Meeting The annual meeting of the company's shareholders will be held at 2:00 p.m. on Tuesday, September 12, 1995 in Pittsburgh at Heinz Hall for the Performing Arts.

Form 10-K The company submits an annual report to the Securities and Exchange Commission on Form 10-K. Shareholders may obtain copies of this Form 10-K without charge by writing to the Corporate Affairs Department at the World Headquarters address.

Investor Information Securities analysts and investors seeking additional information about the company should contact John M. Mazur, Director–Investor Relations and Investment Planning, at the World Headquarters address or should call him at (412) 456-6014.

Equal Employment Opportunity H.J. Heinz Company hires, trains, promotes, compensates and makes all other employment decisions without regard to race, color, sex, age, religion, national origin or disability. It has affirmative action programs in place at all domestic locations to ensure equal opportunity for every employee.

Shareholders may obtain copies of the H.J. Heinz Company Equal Opportunity Report by writing to the Corporate Affairs Department at the World Headquarters address.

This entire report is printed on recycled paper.

Corporate Data *Transfer Agent, Registrar and Disbursing Agent (for inquiries and changes in shareholder accounts):* Mellon Bank, N.A., P.O. Box 444, Pittsburgh, Pennsylvania 15230. (800) 253-3399 (within U.S.A.) or (412) 236-8000.
Auditors: Coopers & Lybrand L.L.P., 600 Grant Street, Pittsburgh, Pennsylvania 15219
Stock Listing: New York Stock Exchange
Ticker Symbols: Common–HNZ
Third Cumulative Preferred–HNZ PR
Pacific Stock Exchange
Ticker Symbol: Common–HNZ

Copies Of This Publication Additional copies of this publication are available from the Corporate Affairs Department at the World Headquarters address or by calling (412) 456-6000.

Dividend Reinvestment The company offers an Automatic Dividend Reinvestment Service for Shareholders. The plan provides for the reinvestment of quarterly dividends in shares of the company's common stock. Shareholders may also purchase additional shares under the plan with cash contributions. The company pays brokerage commissions and service charges under the plan. For a nominal charge to the shareholder, shares can be deposited for safekeeping.

For additional information regarding the dividend reinvestment plan, contact: Mellon Bank, N.A., P.O. Box 444, Pittsburgh, Pennsylvania 15230. (800) 253-3399 (within U.S.A.) or (412) 236-8000.

TDD Services Mellon Securities Transfer Services are available through telecommunications devices for the deaf (TDD).

Company News On-Call Heinz news releases, including earnings announcements, are available by fax 24 hours a day through Company News On-Call at (800) 758-5804. The Heinz extension is 402575. The On-Call information also is posted on the Internet's World Wide Web at http://www.prnewswire.com.

H.J. Heinz Company
P.O. Box 57
Pittsburgh, Pennsylvania 15230-0057
(412) 456-5700

Members of the H.J. Heinz Company Board of Directors: *(front row, left to right)* Donald R. Keough, Herman J. Schmidt, Eleanor B. Sheldon, Anthony J.F. O'Reilly, William P. Snyder III, Samuel C. Johnson, Albert Lippert; *(back row)* Lawrence J. McCabe, Luigi Ribolla, David R. Williams, William C. Springer, William R. Johnson, David W. Sculley, Joseph J. Bogdanovich, Edith E. Holiday, S. Donald Wiley, Nicholas F. Brady, Richard M. Cyert. Elected in July 1995: Thomas S. Foley *(not pictured)*

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Editorial: Eleanor Foa Dienstag, Jack Kennedy
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Board of Directors Portrait: Tom Fitzpatrick
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LASSIE
comes home to
Gravy
Train


HEINZ
Spaghetti
Hoops &
Sausage


APROTEN
APROTEN


HEINZ
TOMATO
KETCHUP


HEINZ
グラタンソース


HEINZ
SANDWICH
SPREAD


MOORE'S


Farex


SNACKIN' FRIES
NEW!


Pup-Peroni
Jerky
Treats